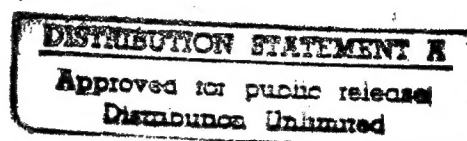


# ***JPRS Report***



# **East Europe**

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# East Europe

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## CONTENTS

27 September 1991

### CZECHOSLOVAKIA

Carnogursky on Army, Military Issues [OBRANA LIDU 24 Aug]	1
Comparison With Economies of Hungary, Poland [STATISTIKA Jul]	3

### HUNGARY

SZDSZ: Kupa Program Headed for 'Failure' [MAGYAR HIRLAP 28 Aug]	11
Koszeg: Replacing Former Cadre Experts Dangerous [MAGYAR NEMZET 18 Aug]	11
Privatization Progress Report: Facts, Figures [MAGYAR NEMZET 18 Aug]	12
Defense Ministry Rehabilitation Program Detailed [KAPU Aug]	17
Suzuki Director Optimistic on Country's Prospects [MAGYAR FORUM 15 Aug]	20
Privatization of Foreign Trade Companies Viewed [HETI VILAGGAZDASAG 31 Aug]	21
Interest Lobbies Seen Behind Danube Dam Project [Bratislava UJ SZO 19 Aug]	23
Companies Owing Taxes Face Bankruptcy [MAGYAR NEMZET 17 Aug]	24
Enterprises Paying Taxes on 'Fictitious Profits' [NEPSZABADSAG 30 Aug]	25
Exporter Says Antimonopoly Rules Hinder Sales [HETI MAGYARORSZAG 6 Sep]	27
Shrinking Market, Debts Plague Wine Industry [MAGYAR HIRLAP 30 Aug]	28
Ultra-Light Private Planes To Be Manufactured [REFORM 15 Aug]	29
Former Slovak Education Minister Called Turncoat [Bratislava UJ SZO 15 Aug]	30

### POLAND

Breakdown of Parliamentary Clubs Provided [RZECZPOSPOLITA 31 Aug-1 Sep]	32
New Editor of Center Accord Daily Named [ZYCIE WARSZAWY 24-25 Aug]	32
PepsiCo Foods Becomes Largest Foreign Investor [RZECZPOSPOLITA 23 Aug]	33
Harvest Yields for Certain Crops Noted [RZECZPOSPOLITA 17-18 Aug]	33
Reasons Given for Housing Construction Delays [RZECZPOSPOLITA 17-18 Aug]	34
Earning Capacity of Coal Mines Profiled [RZECZPOSPOLITA 17-18 Aug]	35

### YUGOSLAVIA

Bavcar on Nationalism, Police, Danger of War [NIN 13 Sep]	37
Bucar for Reorganization of Republican Administration [DELO 17 Aug]	39
Denationalization, Government Reorganization Poll [DELO 31 Aug]	41
Report on Slovene Diplomatic Missions Abroad [DELO 31 Aug]	42
Arguments for Kosovo Albanian War Strategy [BORBA 11 Sep]	44
Ethnic Divisions in Bosnia Ministry of Interior [BORBA 9 Sep]	45
Hidden Reasons for Martić Arrest Discussed [BORBA 11 Sep]	46
YPA Causes Increased Unrest in Bosnia [DANAS 10 Sep]	47
General Aksentijevic on War, Role of Army [DANAS 10 Sep]	49
General Aksentijevic's Views, Behavior Attacked [DANAS 10 Sep]	52
Report on Croatian Special Antiterrorist Unit [VJESNIK 9 Sep]	53
Data on Bosnia-Herzegovina Ethnic Armies [BORBA 13 Sep]	54
Surplus Norwegian Military Equipment Sought	56
Needed for Croatia [Oslo AFTENPOSTEN 12 Sep]	56
Defense Ministry Negative [Oslo AFTENPOSTEN 13 Sep]	57
Financial Expert on Slovene Monetary Problems [DELO 31 Aug]	58

### Carnogursky on Army, Military Issues

91CH0877A Prague OBRANA LIDU in Slovak  
24 Aug 91 pp 1, 5

[Interview with Jan Carnogursky, Slovak Republic prime minister, by Ivan Kvackaj; place and date not given: "First Lieutenant Becomes Prime Minister!"—first paragraph is OBRANA LIDU introduction]

[Text] It has already become a tradition for our political leaders—prime ministers, for instance—to take note of their hundredth day in office. For Dr. Jan Carnogursky, the Slovak Republic prime minister, that day came on 1 August 1991. But it was a working day for him, just like the preceding ones. We availed ourselves of the opportunity and asked for an interview, this time on military issues. This is a highly topical issue as the armed forces are undergoing significant changes, and among the most important is redeployment, meaning the transfer of troops from the CSFR's western borders to Slovakia, thus strengthening its defense capability. But we must confess that it was not easy to obtain this interview. The conversation lasting barely an hour was enlivened by reminiscences of the days when the Slovak prime minister was wearing a military uniform. Perhaps we can reveal that he is a first lieutenant in the reserves. Whether or not this is a high rank is something the reader should judge....

[Carnogursky] I went for parachutist training in what was then Svazarm voluntarily and because I was interested, but in the service I was not a paratrooper. Having had this parachutist training, I entered basic military service as a lawyer in the Military Advocate department in Bratislava. I recall vividly an event which will forever remain in my memory. In 1968 I was a university student in Prague. In summer we were involved in military exercises at Tepla near Marianske Lazne. On 21 August I felt utterly helpless when we were awakened around four in the morning and told that we were being occupied by Warsaw Pact armies. Although we were soldiers we were not armed. There was virtually nothing we could do. Around eight in the morning a Soviet helicopter arrived and positioned itself above our barracks. It stayed there until Soviet armored personnel carriers arrived and encircled us.

[Kvackaj] What is the army's standing in our society? Can you characterize briefly our people's attitude toward it?

[Carnogursky] An army is a normal component of society. I have the impression that citizens view soldiers as fellow-citizens in uniform. The army's basic task is to protect the state against external attack. This the army is ready to do, citizens of the Slovak Republic understand it. I believe that in Slovakia the relations between citizens and the army are good. Let me again go back to 1968: When we had Soviet tanks here and a vehicle with our soldiers appeared sporadically in the streets people then spontaneously called out "Long live our army!" It

was a forceful realization on their part that we very much need an army, that sometimes it is plainly necessary to defend the country.

[Kvackaj] The new military doctrine addresses the issue of our Republic's defense in a different way. Within its concept, how do you view the deployment of units in Slovakia?

[Carnogursky] (Smiling) You want me to divulge military secrets. Considering that our Republic presently faces no specific threat, I mean military threat, from any direction it is natural that our army should be deployed equally across the entire territory of the state. Its deployment until now resulted from the past military doctrine.

The new army deployment naturally causes organizational and technical problems because equalization of deployment means transferring units from the Czech lands to Slovakia. So it is we who have to provide barracks, housing for professional soldiers, the entire technical infrastructure of the army. Everything is in preparation, some things have been done already, but there are also unforeseeable problems connected with it that have to be faced.

[Kvackaj] There is a great deal of discussion of the military budget, army spending. It turns out that the funds are insufficient and the search is for other resources. How will the budget shortage affect Slovakia?

[Carnogursky] There is only one army budget. The shortage of funds is presently the main obstacle to an accelerated redeployment of troops. The funds planned for reconstruction of barracks and housing are insufficient to assure completion of these tasks by the original deadline. The army is a federal institution, paid from the federal budget. The Slovak government does not envisage provision of funds for the army. Were we to do that, we would have to draw on funds from other budgeted expenditures. We do not reckon with that. Not even in regard to a reconstruction of housing and other structures. True—something comes out of the budgets of towns and villages, of housing authorities. It has to be recognized that it is unquestionably a matter of the federal budget. From our position we press the federal government to release the necessary funds.

[Kvackaj] You are at the same time chairman of the Slovak Republic Defense Council. Have you already addressed the redeployment problem and are the Council members at all united in their view? The issue after all is mainly to strengthen the southern part of Slovakia.

[Carnogursky] It cannot be said that it is only the southern part of Slovakia. Troops will come for instance also to Ruzomberok. The deployment will be spread equally across the whole territory. The Slovak Republic Defense Council is united—it has agreed to the redeployment schedule and the new military garrisons. Here there are no problems. Now we only have to monitor implementation of the scheduled stages of the redeployment.

[Kvackaj] Your predecessor Vladimir Meciar in his talks with Defense Minister Lubos Dobrovsky and representatives of localities affected by the redeployment promised that the redeployment will enjoy the full support of localities, that a certain number of apartments will be made available for professional soldiers. Are these promises valid for your government as well? Already now the shortage will amount to at least 1,500 apartments. Among other things...

[Carnogursky] First of all—I don't understand how Mr. Meciar could commit himself on behalf of towns which have their autonomy and which the government cannot order to do anything. And if it can, then only in a limited degree, in limited areas. Redeployment enjoys the support of the Slovak government and I hope also the support of Slovak towns and villages. This transfer of army units is a complex problem the resolution of which cannot be left solely to government decision; the views of inhabitants of the towns to which the soldiers will come are also of importance. Connected with the transfer of military units and formations to Slovakia is also a major infusion of money to this or that area, something that has to be recognized. This concerns mainly the local population. Given time our people will surely come to understand it even better and evidently the present opponents too will recognize the correctness of the state Defense Council's decision on garrisons.

[Kvackaj] Among our people one hears voices, perhaps better said fears, that a possible slowdown in redeployment and the lack of funds may suggest a connection with the Serbian variant of resolving the situation in Yugoslavia ... with a possible resolution of the CSFR situation, potentially in Slovakia.

[Carnogursky] No, certainly not in my opinion. There is no threat in CSFR of using the army. There is the president's declaration as well as the political will of the government. An unbiased analysis of the political situation in the CSFR must lead to the conclusion that there is no threat of the army being used. If someone tried to misuse the army in such a way he would get himself into big trouble.

[Kvackaj] You are concurrently also chairman of the Christian Democratic Movement [KDH]. How does the movement view the mission of the army and the troop redeployments in connection with safeguarding the territory's defense? Here I have in mind your program and draft of a treaty between the Czech and Slovak Republics.

[Carnogursky] KDH supports redeployment in its full extent. It would be good to see it accelerated. Redeployment is natural and inevitable. Having troops come to our territory will increase the defense capability of Slovakia as such. And this is what we are after—nothing more, nothing less. It had not been so in the past and unfortunately still is not.

[Kvackaj] A stir was caused in our political life by the idea of a home defense force raised by Mr. Klepac,

member of KDH and deputy chairman of the Slovak National Council [SNR]. The Association of Slovak Soldiers asserts that this idea originated from them. Now, the important thing is not who was the first. But the idea is here...

[Carnogursky] In most countries including democratic ones defense of the country is constructed on several levels. One is the regular army, the other are units of territorial defense. In the United States for instance they are called the National Guard, elsewhere they are called differently. It is beyond doubt that sooner or later we too will find it unavoidable to complete our concept of defense including a project of territorial defense. Whether this will be on the home defense principle or any other principle and will be called by a different name is today a secondary matter in my opinion and something for the future. But we will not be able to avoid resolving the issue of territorial defense of the state. The less so because territorial defense—its units—are not deployed solely in case of a military threat but also in accidents, natural disasters and the like.

What about the Association of Slovak Soldiers [ASV]? After November 1989 common-interest [zaujmove] organizations of professional soldiers emerged in the army. ASV is one of them. In my view the existence of common-interest organizations has both positive and negative aspects. What I see as positive is that they usually come forward with fresh ideas of use for the army's betterment. Conversely, the danger of such associations is that if they are perhaps too onesidedly oriented politically (and the army should be apolitical), they could politicize the army. We are trying to distill the most from their ideas and suggestions while at the same time keeping the army non-political. Hence my reply to this question is couched somewhat diplomatically.

[Kvackaj] Let us return again to redeployment. What in your opinion will the citizens gain from the arrival of the Czecho-Slovak army to Slovakia?

[Carnogursky] The very presence of the army in Slovakia will increase the population's sense of security. The presence of a military unit as a rule brings also state investments from which the local population too will benefit.

[Kvackaj] One of the candidates for the office of the army inspector general was KDH member, Mr. Alojz Rajnic. The Federal Assembly has not approved any of the four candidates. Do you believe that this may have an effect on the army?

[Carnogursky] The inspector general of the army ought to be one of the further guarantees against misuse of the army. He should oversee the army from the parliament's position. That not one of the candidates was elected is confirmation of one of the symptoms of persistent conflicts in the Federal Assembly. Ultimately also it testifies to the splintered state of our political scene.

[Kvackaj] Recently you had occasion to familiarize yourself with the commanding officers of the Eastern Military District. As the prime minister you visited the Liptovsky Mikulas VVTS [Higher Military-Technical School]. You took part in the ceremony honoring the new graduates of this military school.

[Carnogursky] At the command center of the Eastern Military District I met with the officer corps which I regarded as my duty. It was not possible to do it earlier. In turn, they briefed me on the application of the CSFR military doctrine to Slovak conditions, and we also exchanged views on redeployment. With the district's commander, Maj. Gen. Tuchyn, I remain in continuous contact.

The visit to VVTS convinced me that officers graduating from this school have had thorough preparation in multiple specialties. Also, I was informed on the preparation of study courses for civilian students. This I regard as a useful joining of forces between the army and the civilian public. It is also connected with the fact that our army is no longer as secretive as in the past. Not to mention the obvious futility in trying to conceal what can be found out by other means. Yet naturally we cannot divulge everything.

[Kvackaj] There is some serious talk that already this fall draftees from Slovakia will no longer report in such numbers to the Czech lands. Even though the progress in redeployment would not altogether suggest it... Can the fact that draftees will serve closer to home have an influence on deciding in favor of civilian service? We know for a fact that this possibility is being bandied about and that the law is imperfect in this regard, causing considerable problems to the army as well.

[Carnogursky] I think this alone would not be enough. An amended law on civilian service is in preparation. The amended law will have to aim for the ideal goal of allowing only those to avoid military service whose conscience genuinely does not permit them to use a weapon. For now we are aware that young men avoid military service for other reasons as well....

And if someone has already entered basic military training it is telling evidence that conscience has not prevented him from holding a weapon. This circumstance too should be reflected in the amended law.

For it turns out that the largest number of those interested in civilian service speak up only when they are in the basic military training. The suspicion then is that they opt for civilian service not for reasons specified in

the law but rather because they simply do not want to meet the demands imposed on them by military service.

We have made a rather thorough study of the experience of several Western countries. Last year when the law on civilian service was under consideration, as a deputy prime minister in the federal government I was charged with responsibility for the legislature. Thus the law passed also through my hands. The original draft provided for setting up a commission to examine whether the reasons claimed by the applicant are based on truth. Yet in the parliament during a debate in the Federal Assembly plenum the deputies "removed" this commission and thus effectively gave a free ride to everyone asking for civilian service. I trust that the amended law will take due note of that. Otherwise I wish our soldiers and commanders much strength in building a new type of the Czecho-Slovak army. The process will evidently take a somewhat longer time that would have seemed, but is worth it.

To the towns which will be affected by the redeployment I wish good cooperation with the commanding officers so that they may jointly improve their environment and feel jointly responsible for the security of our republic.

[Kvackaj] Mr. Prime Minister, I thank you for the interview.

**Comparison With Economies of Hungary, Poland**  
*91CH0914A Prague STATISTIKA in Czech Jul 91*  
*pp 317-323*

[Article by Eng. Jaroslav Novak, Federal Statistical Office: "Three Central European Countries on the Road Toward a Market Economy"]

[Text] A number of countries have embarked upon the unfamiliar road from a centrally planned economy to a market economy. Among them, a special group is made up of the Central European troika—Czechoslovakia, Hungary, and Poland. This is so because they have much more in common than their geographic position. Also, from the standpoint of the requirements involved in making a transition to market relationships, their economies, within the framework of the CEMA countries (with the exception of the former GDR), may be considered to be the "most mature." Without regard to the above-mentioned common characteristics, however, they currently have many differences. Their economic levels, the structure of their economies, the extent of foreign indebtedness, etc., are different and, last but not least, there is a difference in the length of time they have been engaged in prosecuting economic reform, together with the intensity of the reform steps they have taken.



**Development of the Economies of the CSFR, Hungary, and Poland in Selected Indicators for the Years 1986-90  
(1985 = 100) (in percentages)**

Indicator	Country	1986	1987	1988	1989	1990
Gross domestic product	CSFR	102.6	104.7	107.2	107.9	104.5
	Hungary	100.9	104.5	103.1	102.0	95.9
	Poland	104.9	106.9	112.1	112.4	95.6
Industrial production	CSFR	103.2	105.7	107.9	109.0	105.0
	Hungary	102.3	106.2	106.2	103.1	94.3
	Poland	104.4	107.9	113.7	113.1	86.7
Labor productivity in industry	CSFR	102.7	105.1	107.2	109.1	108.8
	Hungary	102.8	109.4	112.4	113.0	113.5
	Poland	104.6	108.1	115.2	117.5	95.6
Gross agricultural production	CSFR	100.5	101.5	104.4	106.4	102.6
	Hungary	102.4	100.4	104.7	102.3	95.5
	Poland	105.0	102.6	103.8	105.4	103.9
Exports (current prices)	CSFR	100.5	102.2	108.4	110.3	109.1
	Hungary	94.8	104.8	122.5	129.1	124.1
	Poland	104.2	107.7	119.3	123.0	120.7
Imports (current prices)	CSFR	104.8	106.6	109.6	112.3	124.6
	Hungary	102.5	111.4	118.6	122.5	116.4
	Poland	103.2	103.0	108.2	106.3	72.8
Retail sales	CSFR	102.3	105.1	110.1	112.3	113.7
	Hungary	103.7	109.1	101.8	100.5	89.3
	Poland	106.7	112.1	117.0	116.3	101.2

Hungary was the first to embark upon the reform road. The economic and subsequently even the political changes in that country are broken down into a multi-year period and tend therefore to have more of a continual character. In contrast, Poland first experienced strong social reverberations, there was a sharp political struggle which was connected, among others, with the upsurge of the strike movement and significant economic losses.

Czechoslovakia was the last to embark upon the road toward creating a democratic society and to develop market relationships in its economy. Judging by the course of the Czechoslovak economic reform, however, it is possible to judge, as far as the pace of reform steps is concerned, that is not appropriate—the opposite is more the case.

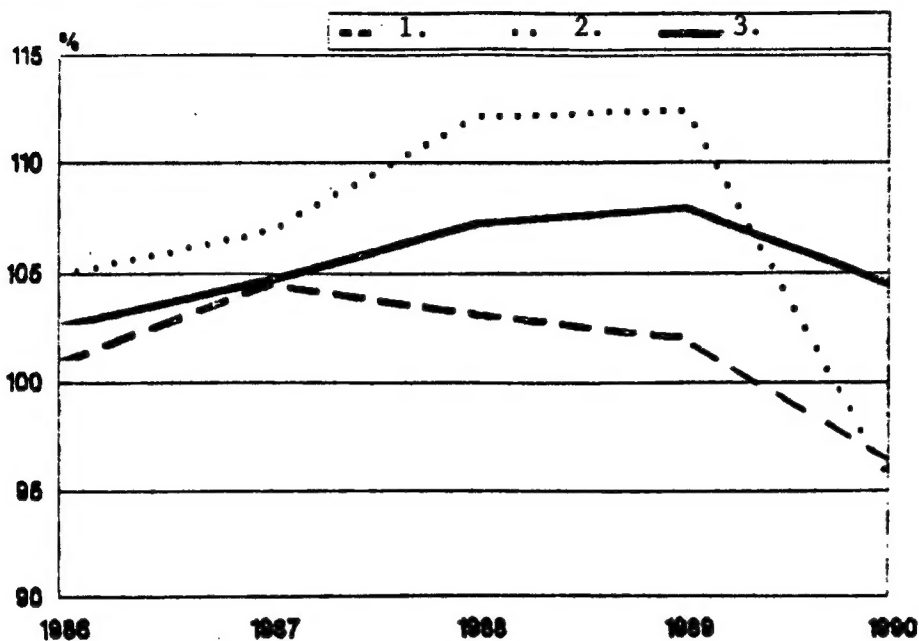
One of the fundamental long-term developmental trends in the economies of the above-listed countries is the gradual decline in the pace of economic growth. Whereas the gross domestic product in the years 1970-75 was experiencing an average annual growth rate of 5.5 percent in Czechoslovakia, 6.3 percent in Hungary, and approximately 10 percent in Poland, its growth rate declined virtually to the zero level at the beginning of the 1980's (1980-82) (for Hungary and Czechoslovakia), or dropped far beneath this level (Poland). During the

course of the 1980's, the pace of economic growth increased again, particularly in Poland and Czechoslovakia, but fell far short of the level achieved in the 1970's. By the end of the 1980's, there was once more a slowdown in the development of the economies of the three countries in question and, in 1990, there was an express economic decline.

In many respects, the past year was a period of fundamental change with respect to the conditions of management in all of the three countries. First of all, there was the disintegration of CEMA, there was the accelerated unification of Germany (and a significant decline in commercial exchanges involving the former GDR), and, in conjunction with the political crisis in the Persian Gulf, there were developmental uncertainties in the petroleum market.

The domestic conditions of economic life also underwent considerable change. The Central European "post-socialist" countries accelerated the course of economic reform. In Hungary and in part also in Poland, in countries which have a certain head start in this direction, there was a price liberalization. Compared to Czechoslovak conditions, both of the above economies have a stronger private sector (even though the process of privatizing state enterprises of a production character was slowed), which is already beginning to react with sensitivity to manifestations accompanying the development of market relationships.

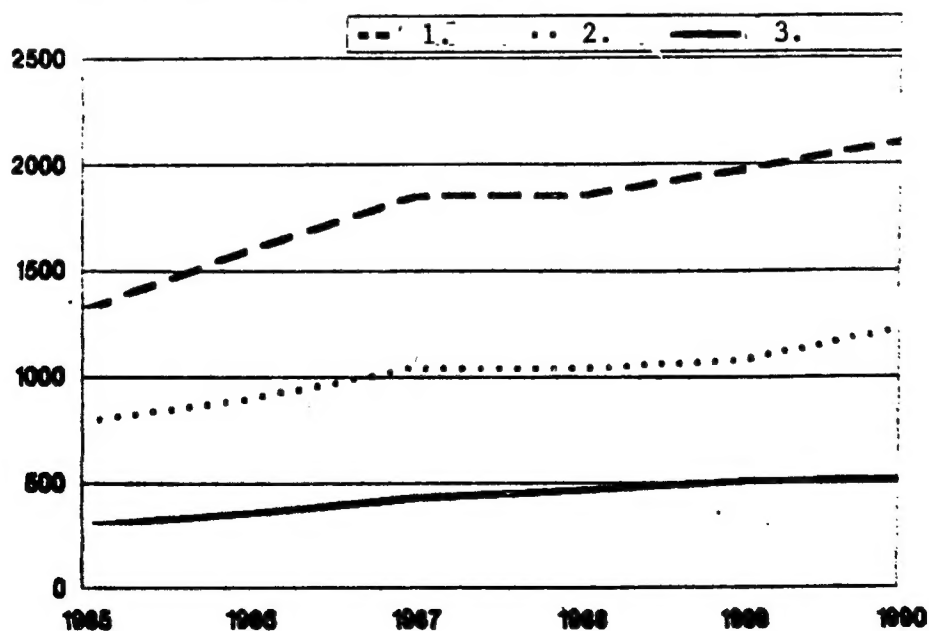
Graph 1. Development of Gross Domestic Product in the Period 1985-90 (in comparable prices; 1985 = 100)



Key:

- 1. Hungary
- 2. Poland
- 3. CSFR

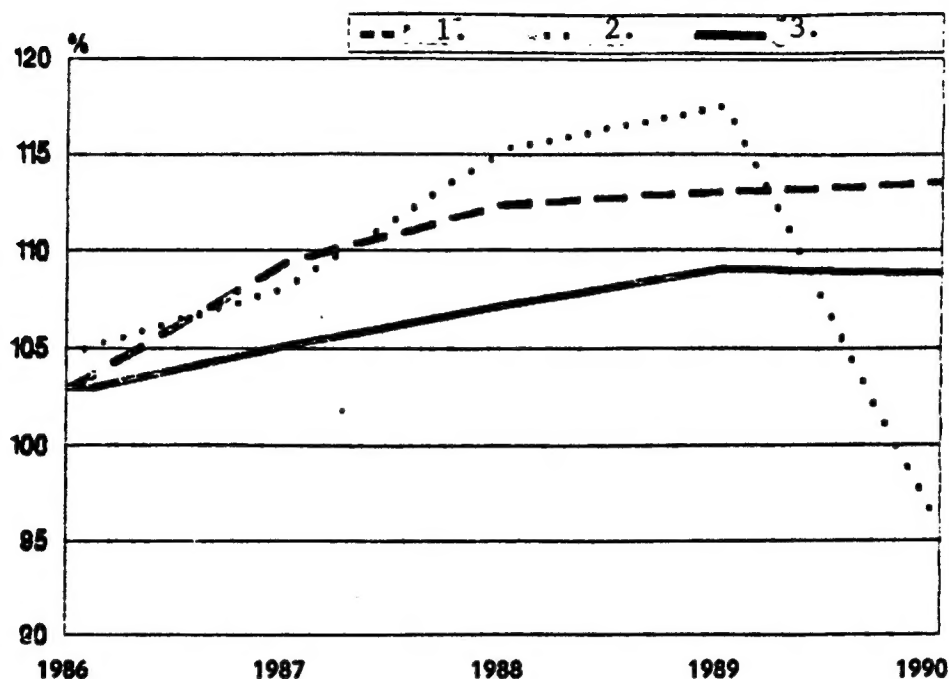
Graph 2. Per Capita Gross Indebtedness in Convertible Currencies for the Period 1985-90 (in U.S. dollars, at year end)



Key:

- 1. Hungary
- 2. Poland
- 3. CSFR

Graph 3. Development of Industrial Productivity for 1985-90 (in comparable prices; 1985 = 100)



Key:  
1. Hungary  
2. Poland  
3. CSFR

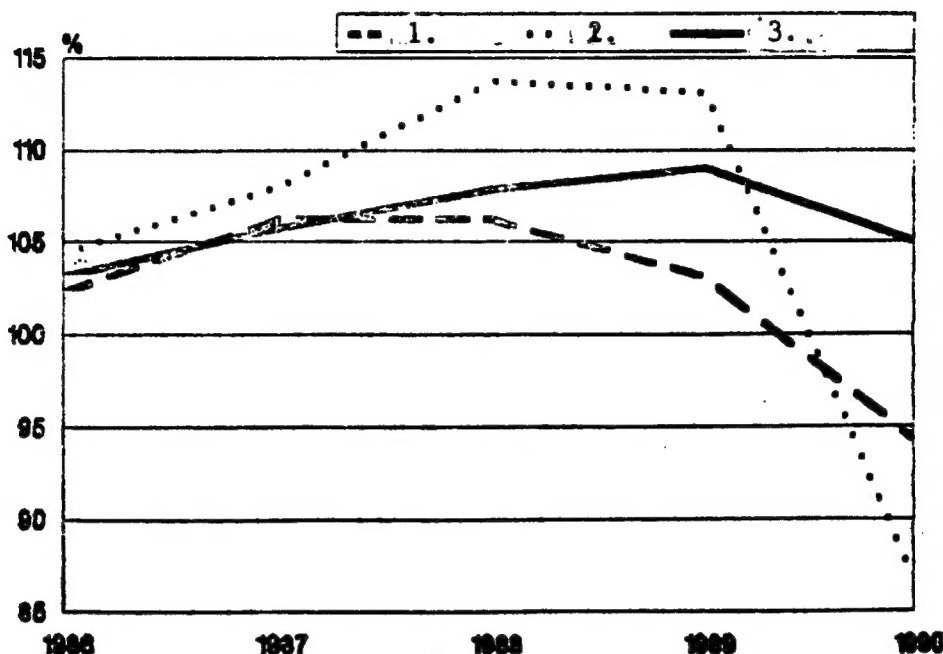
The above changes in conditions—particularly the combination of a shortage of some raw material inputs, accompanied by sales difficulties resulting from the disintegration of CEMA and a decline in domestic demand following the price liberalization moves—exerted a significant influence upon the developments of the economies of all three countries. The deepest decline in economic activity last year occurred in Poland where, according to estimates, the gross domestic product declined by 12 percent and the produced national income declined by 13 percent. Industrial production declined by 23.3 percent, construction dropped by 8 percent, and agricultural production dropped by 1.4 percent. Domestic demand declined significantly. Per capita personal consumption declined by virtually 24 percent, investments, including those made for inventory, declined by 8 percent, state budgetary expenditures dropped significantly. With an increase in exports (virtually by 15 percent) and achievement of a commercial balance surplus, imports declined by 16 percent. The growth in consumer prices was considerable, particularly during the first half of the year (by more than 500 percent); unemployment at the end of the year was 6.1 percent. Unfavorable results, including a sharp decline in labor productivity, impacted particularly on enterprises in the state sector. The private sector was

developing with more dynamism, although it was unable to compensate for the shortfalls of state enterprises.

The results of the Hungarian economy attest to a milder decline. According to estimates, the gross domestic product declined by 4-5 percent, industrial production declined by 4-6 percent, construction activity by 2 percent, and agricultural production by about 4 percent. There was also a decline in the utilization of resources—final consumption declined 4-6 percent and investments, including those made for inventory, declined by 6-8 percent. There was also a decline in the volume of exports (by 5 percent) and imports (by 6 percent). A success for last year was the achievement of a high commercial surplus in freely convertible currencies. Consumer prices in Hungary rose by 29 percent last year, unemployment stayed relatively low—1.7 percent. The Hungarian economy is also experiencing production shortfalls in the state sector which are, primarily, a manifestation of the extensive structural changes which have occurred (sector changes, price changes, and ownership changes). The rapidly expanding private sector is, for the present, unable to fill the economic vacuum. One of the manifestations of a strict financial policy is the insolvency of enterprises, which is well-known to us as



Graph 4. Development of Industrial Production for 1985-90 (in comparable prices; 1985 = 100)



Key:

- 1. Hungary
- 2. Poland
- 3. CSFR

well (at the end of 1990, insolvency reached a level of 15 percent of the gross domestic product; in the CSFR, this level was about 7 percent).

In comparison with the fundamental data covering development in the Polish and Hungarian economies, the economic results achieved last year by the CSFR are more favorable. The decline in the formation of resources represents approximately 3-3.5 percent, consumer prices rose 10 percent, unemployment was 1 percent, and per capita gross indebtedness in convertible currencies was, in comparison with Poland, more than twice as low and, in comparison with Hungary, more than four times lower (last year, this indebtedness increased the least amount—by 2 percent—compared with 13 percent and 6 percent for the other two countries).

It is a fact that changes in external management conditions impacted on all three countries to a comparable extent. Differences exist more in internal conditions.

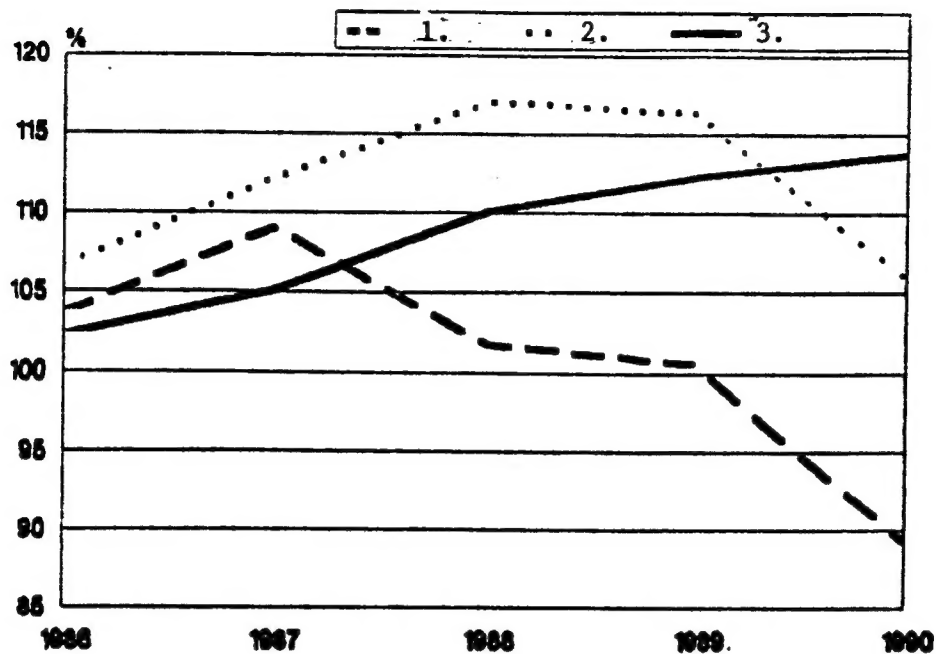
In part—although at first glance this sounds like a paradox—the relatively better results of the Czechoslovak economy may be explained by the more advanced stages of the Polish and Hungarian reform. This fact is both a reason for the higher degree of inflation and

higher unemployment in 1990, as well as the reason for a significant restriction in domestic demand, in view of the fact that economic entities are beginning to react to the nascent market relationships (a decline in investments, high commercial balance surpluses). However, the long-term course of the reform is beginning to be felt not only in the economies of these countries, but also in the social sphere. In this case, there are more negative manifestations (extensive strike movements in Poland, Hungarian taxi driver strikes), which result in significant economic losses.

The outlook of both countries for 1991 is not exactly favorable. It is anticipated that the economic decline will continue. The same is true in our country. Compared to last year, the decline will intensify, because the extent of inefficient industrial production capacities far exceeds last year's drop in production by not quite 4 percent. Nevertheless, this year's drop in economic output could most likely be closer to the Hungarian rather than the Polish "dimensions."

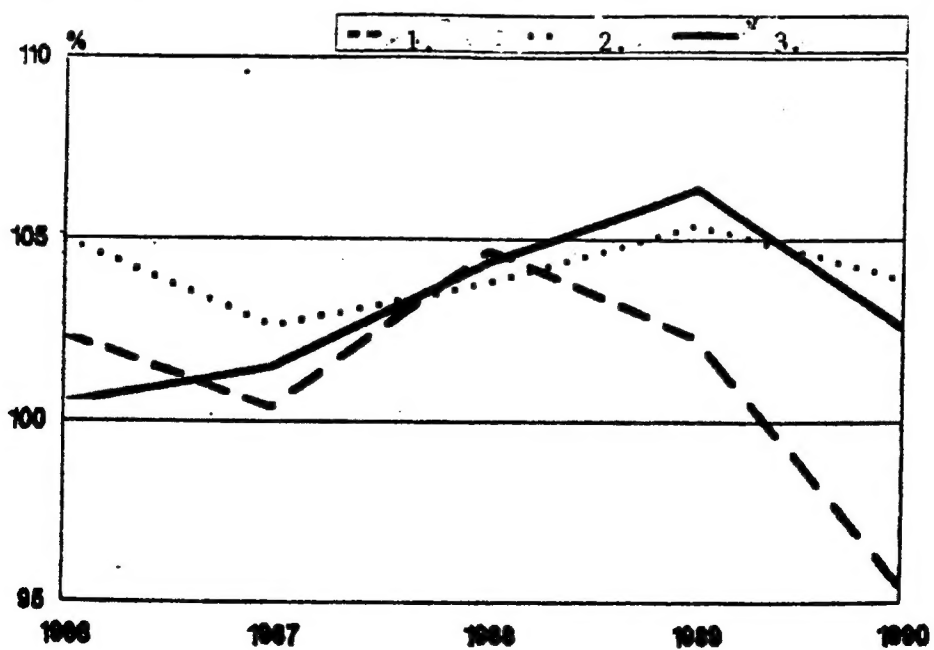
For the future, the question arises as to which of the three economies of the Central European "postsocialist" countries will be the first to embark upon the phase of-

Graph 5. Development of Retail Sales (in comparable prices; 1985 = 100)



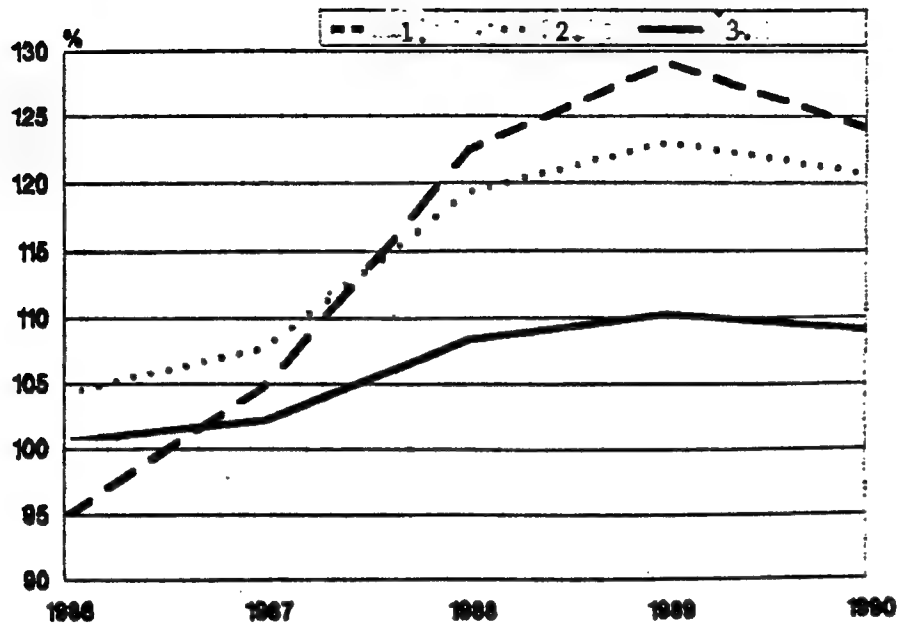
Key:  
1. Hungary  
2. Poland  
3. CSFR

Graph 6. Development of Gross Agricultural Production for 1985-90 (in comparable prices; 1985 = 100)



Key:  
1. Hungary  
2. Poland  
3. CSFR

Graph 7. Development of Exports for 1985-90 (in current prices; 1985 = 100)

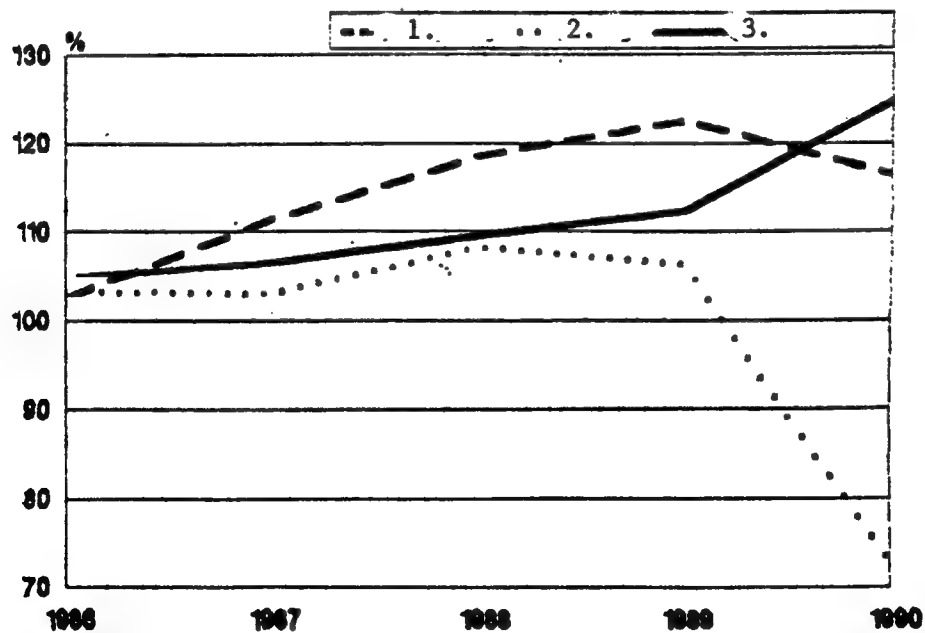


322

Key:

- 1. Hungary
- 2. Poland
- 3. CSFR

Graph 8. Development of Imports for 1985-90 (in current prices; 1985 = 100)



Key:

- 1. Hungary
- 2. Poland
- 3. CSFR

realistic adaptation by economic entities to newly developing market relationships and, subsequently, experience economic revival? In many respects, success depends on the intensity of the reform steps being undertaken. As our everyday experiences show, this is

not merely a matter for economic policy, but, without exaggeration, is also a matter of changing the thinking of broad strata of the population, because it is a problem involving the overcoming of the "ideological legacy" of past decades.

**SZDSZ: Kupa Program Headed for 'Failure'**

91CH0902B Budapest MAGYAR HIRLAP  
in Hungarian 28 Aug 91 p 3

[Article by P.E.: "Karoly Attila Soos: 'Kupa Program Is Headed for Failure'"]

[Text] The Kupa program is headed for failure, according to SZDSZ [Alliance of Free Democrats] representative Karoly Attila Soos at the party's press conference held during the plenary session's luncheon recess. The program practically disintegrates into nothing before its start, according to the representative. This takes place in part because in many respects the government has been delayed in the program's implementation, and in part because changes contrary to those envisioned in the program took place.

Soos said that from among the laws the program has scheduled to be enacted, the National Assembly adopted only the ones concerning accounting, local government property, the settlement of church property, compensation, employment and about the concept [as published]. Although the government blamed the parliamentary opposition for its slowness, Soos's count indicates that parliament has acted prior to the summer recess on all laws appropriately submitted by the government, it fell behind only insofar as the bankruptcy law was concerned. Parliament is one month behind schedule, according to Soos. Only 15 of the legislative proposals promised for 1991 in the Kupa program have been submitted to parliament, including proposals concerning privatization, the operation of land and the state's entrepreneurial property, various taxes, telecommunications and frequencies. From among the 10 laws scheduled for 1991-1992 proposals regarding the large distribution systems, statistics, foreign exchange and customs have not yet been submitted. Insofar as realization of the government program was concerned, progress in privatization has been overly dragged out according to the SZDSZ, and insofar as preprivatization was concerned, both Czechoslovakia and Poland have gotten ahead of us. Parliament is unaware what kind of privatization strategy the government is developing, the reorganization plan for the AVU [State Property Agency] is not known. The fact that Soos' view on inflation differed from that held by the government was particularly remarkable. In his view the actual developments manifest a trend contrary to the one promised, because during the first half of 1991 consumer prices were 35.7-percent higher than a year before and the latest figures for June show a 38.6-percent increase as compared to the previous year. Based on all this the SZDSZ concludes that inflation is accelerating.

The state household law cannot be regarded as a first step in the state household reform, according to the party. Operational concerns greater than before concerning next year's budget can already be seen.

Regarding the central bank law FIDESZ [Association of Young Democrats] representatives said that they agreed

with the idea that an appropriate institutional autonomy was needed for the direction of monetary policy, but indicated, that along with such autonomy the central bank also be restricted insofar as its activities of a commercial banking character were concerned.

Responding to a MAGYAR HIRLAP inquiry Finance Minister Mihaly Kupa acknowledged that they experienced delays as compared to plans insofar as the parliamentary submission of several pivotal economic laws was concerned, and regarded the delay of laws pertaining to large distribution systems as critical. But Kupa stressed that several legislative proposals would be submitted in the course of September, including those related to foreign exchange and customs. Insofar as the SZDSZ remark concerning inflation was concerned, Kupa stressed that he was not comparing this year's inflation figures with last year's figures, but instead to figures that have been projected for this year. Inflation remained within the projected limits based on such comparison. And insofar as monthly data was concerned, the growth rate of inflation has declined in recent months. The finance minister regarded this fact as a favorable indication.

**Koszeg: Replacing Former Cadre Experts Dangerous**

91CH0894B Budapest MAGYAR NEMZET  
in Hungarian 18 Aug 91 p 5

[Interview with Ferenc Koszeg, Alliance of Free Democrats National Assembly representative, by (elo); place and date not given: "Ferenc Koszeg: 'I Am Against Holding Persons Responsible for Political Reasons'"—first paragraph is MAGYAR NEMZET introduction]

[Text] "Justice, Law, Politics—Dilemmas Related To Doing Justice" was the title of a talk delivered by Ferenc Koszeg at the SZDSZ [Alliance of Free Democrats] [Budapest administrative] District 1 Liberal Club. We asked the politician to discuss the details of this issue.

[Koszeg] The SZDSZ program already stood up before the elections in opposition to holding people responsible for political actions, except in cases involving criminal acts. I examined the pros and cons of this matter in my speech, and whether we should revise our original position.

[elo] Would you discuss the results of this examination?

[Koszeg] I continue to be opposed to holding persons responsible for their political actions. The punishment of political mistakes represents the failure of normal parliamentary systems.

[elo] One could not regard the former parliament in Hungary as a real parliament.

[Koszeg] True, but in this case the entire system has failed. On the other hand, if we were to hold people

responsible for economic policy decisions—for developing the Eocene program, for example,—we would discover that every such decision carried a high risk. Would you individually hold accountable each decision maker if hopes pinned to the Expo failed?

[elo] Far greater crimes than that were committed in the past.

[Koszeg] The bloody crimes were committed 30 years ago, these have already lapsed unless they were classified as crimes against the people or as war crimes. The mass dismissal of old cadres also represents a great threat, because it is likely that nonprofessionals would take their places, political loyalty would serve as a basis for their selection.

[elo] Do you believe that if this was the case, they might have to be let go once again after the next parliamentary elections?

[Koszeg] Yes. On the other hand, amnesty also rendered the exploration of corruption cases impossible, and this was supported by the parties of the ruling coalition.

[elo] What arguments support the idea of holding people responsible for their political actions?

[Koszeg] Failure to do justice favors the survival of latent structures, because people from olden days and the old system mutually reinforce each other. It is clearly visible by now that after this stratum staggered temporarily, it has strengthened its position and that it was applying methods of exercising power in the old, "proven manner."

[elo] What do you have in mind, how could this be stopped?

[Koszeg] For example, persons wanting to establish independent trade unions will often be dismissed based on labor law arguments. Under no circumstance could this situation be resolved through the administrative dismissal of old cadres from workplaces, instead, workers should take action locally whenever such things happen. A typical method of privatizing enterprises is the withering of enterprises. Only workers are able to prevent this.

[elo] What solution do you recommend?

[Koszeg] The SZDSZ perception according to which market competition would automatically result in an exchange of cadres because it would destroy the unfit did not prove to be valid. This is so because it is precisely these cadres who do not permit the evolution of market competition. I continue to be opposed to administrative methods. But we should take action in instances involving criminal responsibility. Here are two examples: Hungarians held culpable in the Carlos affair were not punished, and the Dunagate affair ended with only an admonition. I believe that we should not bother with involving people who presently perform functions. On

the other hand, in instances involving moral responsibility the public and the internal organizations of employees should remove the morally unfit persons. This is so because failure to do justice suggests that anything goes in Hungary, and that nothing draws consequences.

### **Privatization Progress Report: Facts, Figures**

*91CH0896A Budapest MAGYAR NEMZET  
in Hungarian 18 Aug 91 p 9*

[Article by Tibor Legradi: "The Privatization of Power or the Power of Privatization—Slow Acceleration"]

[Text] According to one of our reports published in April development of the government's privatization strategy had already been completed. The truth is that the program has been revised a number of times since, and is still in the process of being developed. Sizzling lightning struck everywhere upon revealing the program and the dispute came to a lull for a while only because of summer vacations. It is expected to resurrect soon. Fortunately though, privatization has made progress during this lull, because the most important legal framework has been enacted, regardless of whether we like it or not. And progress is neither faster nor does it involve less of a tug of war than privatization in our fellow countries which share our fate, except perhaps in the new German territories. But the Germans should not be satisfied either: Their domestic capital also avoids Eastern investments and prefers to target Latin America, for instance. Typically, the dismantling of Soviet style state property involves a task which does not yield clearly favorable consequences from the standpoint of abstract ideals of justice, professional evaluation, or the balancing of the interests of affected parties, regardless of the method chosen to perform that task. From time to time we must reexamine whether disproportions caused by privatization which manifest themselves in the form of power and economic advantages are tolerable. And in the course of debate we may be able to filter out in advance some concepts of unequal value.

The first draft of privatization strategy has been prepared by a committee in which seven members of the AVU [State Property Agency] board of directors took part in addition to representatives from ministries. (Opposition and independent experts also took part in the workings of this body.) This may explain in part why the AVU's role of exercising control and making initiatives was not changed in the proposal, and why the committee preferred only to further develop the principles and methods of privatization.

A time schedule has been established for the process: State ownership should be reduced below the 50-percent mark by 1994, and the ratio of foreign capital should increase to 30 percent. Enterprises not transformed into corporations by the end of 1992 would be placed under state administrative supervision for a year and the competent minister would change these enterprises into



corporations. Seventy-five percent of the privatization revenues would be expended to defray the state's indebtedness. These rules and principles concerning the division of state property were also adopted as part of subsequent drafts.

#### With Central Control

A distinction between three types of property has been established. Treasury property includes real property and means in the service of performing state functions, as well as public roads and areas. The second category includes entrepreneurial assets to remain under state ownership in the long term. To this date, bargaining continues concerning the list of enterprises which determines whether a given enterprise remains 100 percent, alternatively 51 percent state owned, based on recommendations made by various ministries and the AVU. There would also be a category in which the placement of certain firms under mere "national" (state and private) ownership would suffice. Management authority would be exercised over these firms by stock corporations of a holding character established by the government. Quite naturally, only enterprises of special significance could be included in this category, but later on these may also be privatized, of course.

Any and all additional state property under AVU's jurisdiction may be transferred unconditionally into private ownership. Churches, autonomous local governmental bodies, social security institutions, and persons holding indemnification vouchers could acquire pieces of property or shares in corporations free of charge. Enterprise employees and lessees of small shops could become owners of their shops and enterprises in exchange for paying reduced prices.

Based on the first draft the AVU would initiate central privatization programs every three or four months, involving enterprises which could be sold at a good price. In addition to this, the AVU would continue to control transformations initiated by enterprises, and the contribution of property elements to corporations over and above the volume prescribed by the Property Protection Law. The AVU would be capable of forcing realistic appraisals of property based on its authority to invite competitive bids for the sale of firms in the process of transformation, or of firms establishing corporations.

For a while now, entrepreneurs intending to make investments may also initiate the sale state enterprises or parts of individual enterprises at the AVU. And as of more recent date, several hundreds of small enterprises have been enabled to privatize themselves with the help of consulting firms recommended by AVU and pursuant to principles spelled out in the draft published last spring. In addition to the above, the first alternative included an intent to establish a committee to work alongside the government. The function of this committee would have been the severance of independent

factory units and plant locations from large firms enjoying monopolistic situations, prior to their privatization.

Practice shows that only on very rare occasions were large enterprises transferred in one piece into private ownership. Such transfers were not in the interest of enterprise managers, nor did they benefit traditional foreign trading partners with whom a majority of the business deals were consummated. For this reason only a small amount of revenues ensued to the state as a result of such transformations, and much of the stock was transferred under the management of AVU representing the state. Based on the privatization strategy, the AVU would have consummated property management contracts with entrepreneurs and lessees in order to more effectively enforce ownership rights and to enable a more profitable exchange of securities.

#### By Selling Themselves

The above plan was based on the principle of continuity, and within the plan AVU's role was the primary target of attacks from two sides. Using old staff reflexes accustomed to centralization and the German example as its starting point, the Ministry of Industry proposed that all state enterprises be immediately transformed into corporations based on their book value, and that such enterprises be sold to various types of state holding corporations (privatizing, upgrading, long term ownership corporations). These holding corporations would have been supervised by the ministry itself, of course. The apparatus-politician stratum destined to comprise the membership of the boards of directors and supervisory committees of the pyramid of holding corporations replacing AVU would have become power oriented despite the best of intentions, because privatization would last for at least half a decade. And there would be no appropriate counterweight offsetting the efforts of this stratum, because it would hold on to more than half the economy of a country devoid of a free market. Accordingly, this proposal contained a strategy that was obviously not equal to the previously proposed strategy.

A counter proposal developed by the Finance Ministry was different. It used as its starting point a critique of AVU's activities. According to its framers the AVU was an organization which wielded great power, was unpredictable, slow and bureaucratic, and half of it was frequently unaware of what the other half was doing. Central privatization programs cost a lot and produce small revenues. Preprivatization proved to be a fiasco, and property management could not be equated to ownership tied to transformation. The harshest critique might have been leveled when the Finance Ministry expressed its feeling that the AVU "stubbornly restricted competition" and that it was unable to resist renewed monopolizing efforts made by foreigners. Accordingly, AVU was not only performing tardily, it was also performing badly—we could say if we wanted to speak clearly.

According to the Finance Ministry, privatization progressed slowly and could be accelerated only if the government divided the AVU functions among several institutions on the one hand, and if initiatives made by enterprises played a decisive role in privatization. For this reason the Finance Ministry recommended that the direction of preprivatization be transferred under the authority of the Ministry of Commerce and Industry, and that a separate organization be formed for the temporarily outstanding stock. This organization could transfer such stock to investment companies, banks and to holding corporations responsible for the supervision of state enterprises which remained under state ownership in the long term for profitable use. (Could it be that the latter type of organization which could be strongly objected to from a professional standpoint has been included as a result of a tacit compromise reached with the Ministry of Industry?) AVU would not initiate any more central privatization programs, it would only complete programs it already started. In contrast, the Finance Ministry would expand the opportunity for self-privatization to every enterprise.

AVU's role of directly controlling privatization would no longer be justified, according to the counter proposal. Provisions for such role were incorporated earlier as part of the rules in response to pressure exerted by politicians concerned about selling out enterprises below their respective market values. Meanwhile, however, the economic environment established a constraint to change, and enterprise managers became more receptive to market effects. On top of all this, the attraction of foreign capital to finance part of the enterprises, as compared to the sale of enterprises, has become more valuable from the standpoint of economic transformation. This is so because the market value of Hungarian enterprises is declining rapidly due to inflation, low technical standards and the loss of Eastern markets. Only a two step privatization process provides a chance to rescue these enterprises.

#### **Undecided, for the Time Being**

Accordingly, from among the various privatization methods, the Finance Ministry proposal would give preference to raising capital stock, to sales accomplished by the enterprises themselves, and to buying out by enterprise managers (see Box 1). From a practical standpoint the Finance Ministry proposal would discontinue centrally issued tender invitations. It deals with decentralization, leasing and investor initiative only as an aside. On the other hand, the partial privatization of banks and the earliest possible organizing of investment companies are new elements in the Finance Ministry proposal.

The most sensitive aspect of this proposal is the recommendation which delegates supervision over state holding corporations, organizations entrusted with the management of treasury property and property temporarily owned by the state, as well as over the AVU board of directors to the minister responsible for economic

policy, i.e. Finance Minister Mihaly Kupa. The finance minister's debating partners accused him of concentrating power as a result of this provision—and at this point we have a closed circle.

This is so, even though the charge of "harvesting" power does not hold true fully in any direction. Mihaly Kupa may want to exercise control over the AVU to reorganize that organization and to get rid of those who in the ministry's view do not work well. He also wants to substantially curtail the decisionmaking authority of that organization, after all.

On the other hand, AVU representatives are probably correct in claiming that the slowness and tardiness of privatization is not caused by the excessive power they wield, but by circumstances not related to AVU. The interest of managers counters the sale of majority control in enterprises, employees resist because they are concerned about becoming unemployed, and local governments would like to boost as high as possible the value of stock they receive. For this reason negotiations are becoming protracted. In many instances the ownership of high value property is unclear, it is difficult to establish the extent of environmental damages. The information systems available to enterprises are incomplete—audits based on international accounting standards take several months to complete. There also exists a lack of competent privatization professionals. In many instances foreigners are better prepared, and unfavorable provisions in draft contracts must be corrected.

Debate over privatization and reconciliation efforts continues. As things stand today—subject to certain change—the AVU would continue functioning under the prime minister's supervision, it would acquire veto power over transformations initiated by enterprises, and it would also be able to interfere with processes on the investors' side. At the same time, however, the functions recommended by the Finance Ministry would be removed from AVU. Officials at the Ministry are dissatisfied because they are unable to enforce their most important endeavor, and those supportive of AVU are concerned because reorganizations will truly slow down privatization.

#### **[Box 1, p 9]**

##### **Privatization Through Management Buy-Out**

This method may be used relative to enterprises experiencing critical situations and facing liquidation, and by smaller units of such enterprises, as well as by small enterprises of local significance, provided that no outside investor has expressed an interest.

The term "enterprise management" could mean an enterprise president or a general partnership formed by upper management. This is important because of the unlimited liability of members in such partnerships. If enterprise management buys at least five percent of the capital stock of an enterprise that has been transformed into a stock corporation, the AVU surrenders its right to

vote based on its majority stock ownership in favor of enterprise management. This surrender could be evidenced in the form of issuing preferred stock.

Simultaneously with the announcement of an intent to buy out an enterprise, enterprise management would also submit a three year reorganization concept. The state would not expect to receive first year dividends from enterprises experiencing critical conditions, but it would receive a five-percent dividend in the second year, and a 10-percent dividend in the third year. In the event that dividends exceeded these levels, enterprise management would be obligated to use these funds for the purchase of AVU stock. Relative to local small enterprises the AVU and the autonomous local governments would surrender their rights to vote if first year dividends reached the 10-percent level. Voting rights of state owned stock would be restored if in subsequent years no dividends could be paid from the taxed income.

An external management group may acquire ownership rights to enterprises transforming into corporations if they purchased 10 percent of the assets and prepared the required reorganization plan.

**[Box 2, p 9]**

**Temporary List of Special Enterprises To Be Retained Under State or National Ownership**

**100-percent state ownership:**

*Foreign trade:* HIT Investcenter-Tradeinform Enterprise, Technika Foreign Trade Enterprise.

*State farms:* Ferto Cane Farming Enterprise, State Forestries.

*Financial institution:* Gambling, Inc.

*Culture:* Public Education Information Enterprise, KULTURINNOV Cultural Innovation Continuing Education Enterprise, Textbook Publishing Enterprise, Budapest Film Studio, Dialog Film Studio, Hunnia Film Studio, Objektiv Film Studio.

**51-percent state ownership:**

*Energy industry:* National Oil Industry, Inc., Hungarian Electric, Inc.

*Processing industry:* Hungarian Aluminum Industry, Inc., Fine Mechanical Enterprise, Mech. Labor Communication Technology Experimental Enterprise, Nitrochemical Industrial Plants.

*Foreign trade:* Hungexpo, Inc., Mert Controll, Inc.

*State farms:* Balatonboglar Agricultural Combine, Babolna Agricultural Combine, Boly Agricultural Combine, Mezohegyes Agricultural Combine, Komarom Agricultural Combine, Hortobagy State Farm, Cegled State Farm, Szarvas State Training Farm, Lajta Hansag State Farm, Bacsalmás State Farm, Hek State Farm, Hodmezovasarhely State Farm, Hidashat State Farm,

Torokszenmiklos State Farm, Szerencs State Farm, Debrecen Agricultural Sciences University Training Farm, Godollo Agricultural Sciences University Training Farm, Palotas State Farm, Tempered Water Fish Breeding Farm, Szombathely State Training Farm.

*Transportation, communication, water resource management, construction:* MALEV Hungarian Airlines, Hungarian Postal Service Enterprise, Hungarian Long Distance Communication Enterprise, Hungarian Broadcasting Enterprise, MAV Hungarian Railroads, No. 5 Regional Water Works Enterprise, Scientific and Planning Institute for Urban Construction.

*Financial institutions:* OTP National Savings Bank, State Mint.

*Pharmacy Centers:* Hungaropharma Pharmaceutical Sales Enterprise, Human Vaccine Production and Research Institute, Therapeutic Accessories Manufacturing Works.

*Defense:* MH Electrotechnical Repair Works, MH Communication Technology Repair Works.

*Culture, sports:* CALDERONI Instrument and Educational Tools Manufacturing and Sales Enterprise, Sports Establishments Enterprise.

**51-percent national ownership:**

*Energy industry:* No. 5 Regional Gas Works Enterprise.

*Processing industry:* Duna Iron Works, Hungarian Railroad Car and Machine Works, IKARUS, Csepel Auto Works, Hollohas Porcelain Works, Zsolnay Porcelain Works, Herendi Porcelain Works.

*Foreign trade:* Agrimpex, Inc.

*State Farms:* Lower Tokaj Mountain Region State Farm Wine Combine.

*Transportation, construction:* MAHART, Gyor [Bratislava]-Sopron-Ebenfurt Railroad Company, Inc., Hungarocamion, EROTERV, UVATERV.

*Financial institutions:* Hungarian Credit Bank, National Commercial and Credit Bank, Budapest Bank, Hungarian Foreign Trade Bank

*Pharmacy centers:* OMKER Instruments Sales Enterprise, the central units of Pharmacy Centers.

*Culture, sports:* Film Technology Enterprise, Hungarian Film Laboratories Enterprise, Communal Investment Enterprise, Hungarofilm Foreign Trade Enterprise, Magveto Publishers, Mora Ferenc Youth Publishers, Literary Publishers, Music Publishing Enterprise, Hungarian Film Manufacturing Enterprise, MOVI Hungarian Movie and Video Sales Enterprise, Hungarian Szinkron and Video Enterprise, Pannonia Film Enterprise, Motion Picture Sales Enterprise, HUNGAROTON, National Continued Education and Educational Tools Development and Sales Enterprise, Kecskemet Animated Film Enterprise, Hungarian Circus and Variety Shows, Hungariasport Advertising and Marketing Enterprise.

[Box 3, p 9]

**Privatization in Numbers (as of May 1991)**

1. <i>Total book value of all state enterprises</i>	1,900 billion forints
2. <i>Agreed to enterprise transformations—book value</i>	46 billion forints [as published]
(52 enterprises)—Market value	5 billion forints [as published]
Of which: to remain with AVU	48 billion forints
—Foreign share	14.8 billion forints
3. <i>Enterprise transformations in progress (96 enterprises)</i>	
—Book value	146 billion forints
Of which: to remain with AVU	66 billion forints
—Future foreign share:	32 billion forints
4. <i>First privatization program initiated by AVU (20 enterprises)</i>	
—Book value:	54.6 billion forints
—Estimated market value:	90.4 billion forints
Of which: to remain with AVU	32.5 billion forints
—Future foreign share:	38 billion forints
5. <i>Second privatization program initiated by AVU (23 enterprises)</i>	
—Book value:	25 billion forints
6. <i>Preprivatization</i>	
Announced deals:	10,034 ea.
Of which: to be privatized	5,074 ea.
Business sold:	203 ea.
Gross amount of sales:	803 millions of forints
7. <i>Enterprise participation in the establishment of corporations:</i>	
With foreign partners (40 cases)	
—Value of assets contributed:	18.8 billion forints
—Hungarian share:	51.9 percent
With Hungarian partners (35 cases)	
—Value of assets contributed:	2.8 billion forints
8. <i>Revenues derived from the sale of other assets:</i>	8.4 billion forints
9. <i>Estimated amount of claims for the use of privatization revenues:</i>	
Social Security:	500 billion forints
Value of property transferred to autonomous local governmental bodies:	350 billion forints
Employee shareholder program:	200 billion forints
Following the privatization of enterprises owned by autonomous local governmental bodies, only 50 percent of the revenues is transferred to AVU. Remainder:	150 billion forints
Infrastructure, stimulation of enterprising, culture, technical development:	500 billion forints
10. <i>Anticipated property requirements to be established as a result of the Compensation Law</i>	
Grievances incurred between 1939 and 1939:	35-45 billion forints
Grievances incurred after 1949:	100 billion forints
Land:	60 billion forints
Housing:	20 billion forints
Firms:	5 billion forints
Interest payments:	5 billion forints
11. <i>Claims for real estate filed by churches:</i>	724 ea.

### Defense Ministry Rehabilitation Program Detailed

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Aug 91 pp 58-60

[Unattributed article: "Information Concerning the Rehabilitation Activities of the Ministry of Defense of the Hungarian Republic"]

[Text] We understand the term "Ministry of Defense rehabilitation activities" to mean the restoration of illegally stripped, original ranks. This activity is pursued based on the following laws and decrees:

- Law No. 36 of 1989 (remedying convictions related to the 1956 popular uprising);
- Law No. 26 of 1990 (concerning the annulment of illegal convictions between 1945 and 1963);
- Cabinet Decree No. 93 of 21 November 1990 (concerning the situation presented in the context of social security and labor law);
- Minister of Defense Directive No. 174 of 1990 concerning rehabilitation procedures;
- Law No. 12 of 1990 (concerning the review of certain pensions and concerning the discontinuation of certain pension supplements);
- Cabinet Decree No. 74 of 10 June 1991 (providing for the situation of persons under social security and labor law, who were deported or who performed labor duty based on racial or national belonging or on the manifestation of conduct opposed to Nazism, or persons whose other personal liberties were restricted between the years 1938 and 1945).

Ministerial Directive No. 174/1990 is consistent with all of the above legal provisions and decrees, including Law No. 12 of 1990 and Cabinet Decree No. 74 of 1991, both of which have been promulgated subsequent to the issuance of the Ministerial Directive. (One should stress, however, that remedying violations of law subject to the authority of the above cited legal provisions is not within the authority and is not a function of the Ministry of Defense. The sole and exclusive function of the Ministry of Defense in this regard is the restoration of ranks illegally stripped as a consequence of the above violations of law.) The following are the fundamental precepts of the Ministerial Directive:

(a) The personal documents of reserve officers and noncommissioned officers who belonged to the former Royal Hungarian Honved Forces and to the Hungarian People's Army, whose reserve officer or noncommissioned officer rank has been stripped in the course of a review of reserve officers, must be reviewed once again.

(b) The personal documents of former professional officers and noncommissioned officers who were stripped of their ranks by a court as a secondary punishment for conduct manifested in 1956 must also be

reviewed, provided that the sentence of the court has been annulled. (Verification of annulment by a court must be requested individually.)

(c) Personnel matters under the authority of Prime Minister's Decree No. 5000-ME of 1946 ("B-list" [layoff roster]) are not subject to review because this decree has not been declared to have constituted a *de jure* violation of laws.

(d) Insofar as no objections are heard in response to the Rehabilitation Committee's recommendations based on (a) and (b) above, the minister of defense rescinds the illegal order which resulted in the demotion and restores the original rank.

(e) If the committee finds that a person entitled [to a rank] has performed recognizable meritorious services in the defense of the country after his demotion or after serving his sentence, the committee may propose—on the basis of an individual evaluation and as a matter of fairness—the promotion of such person to a reserve rank, the securing of benefits for such person (use of health care and cultural facilities) to which retired officers of the Hungarian Honved Forces are entitled, and the provision of social welfare assistance on an exceptional basis, in cases which deserve recognition.

(f) No indemnification or pension claims may be established on the basis of an annulment of an order to demote.

### Issues Pertaining to Rank

The principle of restoring the original rank shall serve as a general guideline. This is so because conduct in violation of laws cancelled this rank, and the Ministry of Defense cancels the consequences of the violation of law, as those manifest themselves in ranks. (Based on law that prevailed at any time, the discontinuation of service relationships did not violate laws in a decisive majority of cases, therefore no action on part of the Rehabilitation Committee is needed in this respect.) It then follows that in general a promotion in rank cannot be expected based on the time period that has passed since, because that period cannot be regarded as one in which active duty has been performed.

A former military person will be promoted one step in rank if he has not been imprisoned, but if he acquired special merits with respect to the defense of the country in civilian life following active military duty.

The likely life path of a military person whose military career has been disrupted as a result of the affirmed judgment of a court, and if such person served a prison sentence shall be taken into consideration.

### Results Thus Far

Between 1989 and mid-1991 about 2,500 requests for rehabilitation have been received. More than 2,000 of these have been settled. (As of 27 May 1991, 32 former military persons holding Hungarian citizenship but

residing abroad have been rehabilitated.) One should note, however, that about one third of the petitioners also made requests for purposes other than rehabilitation in rank, such as consideration of the term of military duty, verification of prisoner of war status and financial compensation. Except in regard to requests for financial compensation, we provide appropriate assistance regarding all requests.

### Problems That Arose

About one third the number of our clients wrote letters of response after receiving extracts of commands to rehabilitate. They enumerate their objections in these letters. Typical objections are as follows:

- We did not take into consideration direct or implied references to the person's advanced age, his deteriorated health condition or his low pension;
- We did not take into consideration the decades that passed in considering promotion into a higher rank;
- Objections to the designation "reserve";
- Failing to use former titles which are no longer used ("Royal Hungarian, officer candidate serving his year in the ranks ['karpaszomanyos'], vitez [designation of valor], staff, not on active duty, etc.").

### Our Response to the Above Is as Follows:

A once discontinued legal relationship is unrelated to the low pension received by our comrades in arms of today. Determinations which stood in violation of laws and which stripped persons of their ranks exerted no influence on the amount of today's prevailing pension payments, there was no causal relationship between the two. The minister of defense has no right to interfere with legal provisions governing social security, thus also with the system of pensions.

About 2.4 million pensioners reside in Hungary. As a result of shortcomings in our social security system and due to increased inflation rates in recent years, a majority of these pensioners receive low pensions and struggle with existential problems. At one time many of the male pensioners were soldiers, irrespective of the military duty they performed, or their length of service. This also applies indirectly to female pensioners, because their husbands were soldiers. Accordingly, this constitutes a societal problem which evolved in the previous system and which could hardly be managed by our new system. Since there is no comprehensive governmental solution to this problem to satisfy every affected person, many foster hopes for help from the Ministry of Defense in this regard. This applies primarily to those who died in the course of World War II or in 1956, to the widows and relatives of those who died as prisoners of war or in labor camps, to disabled veterans and to persons still alive who left or were removed from the army for any reason. In general, these persons do not, and are not willing to accept our explanation according to which the

Ministry of Defense not only has no authority to raise pensions or to provide indemnification or compensation, but Cabinet Decree No. 16 of 1990 expressly prohibits the raising of pensions or the provision of indemnification or compensation.

As we underscored before, in a majority of instances the termination of service relationships has taken place consistent with law, i.e. these were implemented without violating laws, consistent with legal provisions that prevailed at any given point in time. Based on this, and since no legislative body has declared Decree No. 5000-ME of 1946 as being in violation of laws, we do not regard the Prime Minister's Decree No. 5000-ME as illegal, and consequently we do not regard as illegal the reduction in force that took place in the 1950's and the discharges that took place in the aftermath of the 1956 Revolution prompted by officers' refusals to sign a declaration. In these instances the termination of service relationships did not constitute actions in violation of law, only the stripping of these persons of their reserve rank that took place after termination of the service relationship amounted to a violation of law.

A person whose military career has been disrupted should accept that as an objective fact. It would be impossible to accommodate unrealistic assumptions which claimed that "I would hold a high rank, had this or that not happened." Time passed since the termination of a military career cannot be regarded as part of military service, therefore we do not feel that any reasoning which bases promotions—generally into high ranks—during this period as appropriate.

In a number of instances claimants establish premises for promotions into high ranks based on their political and/or scientific work. We have a high regard for political and scientific achievements and titles, nevertheless these must not be regarded as identical to military service. Therefore we regard requests and demands based on such motivations as morally unacceptable.

### Personnel Categories

At present the Hungarian Honved forces recognize the active, reserve (persons under the age of 50) and retired personnel categories. (We do not have an appropriate personnel category for former reservists age 50 or older, unless we recognize "veteran" as a personnel category, but this is not an official designation.)

The self esteem of many of our comrades in arms would be hurt if we returned to them their "reservist" rank. Considering the above, we cannot regard these persons as "active" or as "retired," because they are not serving active military duty, and are not persons who retired from the Honved Forces. Accordingly, these persons can be classified as none other than "reservists." (Categories such as "titular" and "not on duty" do not exist.)

"Yes, but I was a professional soldier..." we repeatedly read in a number of claims. Today it would be unfair and



indecent to call "professionals" our comrades in arms between the ages of 70 or 80 who were professional soldiers 35-45 years ago.

### **Hungarian Citizenship**

The existence of Hungarian citizenship is necessary because pursuant to the National Defense Law only Hungarian citizens may be members of the Hungarian Honved Forces. With respect to persons not holding Hungarian citizenship we may verify of course that at a given point in time that person held a certain rank.

A few of the foreigners surrendered their Hungarian citizenship, a few were stripped of their Hungarian citizenship. Although the number of these persons is small, we must have proof of Hungarian citizenship in every instance. In most instances such proof is provided by the Ministry of the Interior. Many do not know whether they retained their citizenship and we provide the greatest possible help to ascertain their status.

Persons not holding Hungarian citizenship but wishing to restore Hungarian citizenship should submit a request to the nearest Hungarian foreign service post (consulate, embassy). No political obstacles stand in the way of repatriation by now.

### **Titles**

Even today we respect, but regard as somewhat archaic titles like "Royal Hungarian, officer candidate serving his year in the ranks, not on duty, supplemental reservist, vitez, staff, titular..." We recognize these former titles but no longer use them relative to the Hungarian Honved Forces. On the other hand, we do not object to anyone using these titles in private life or in veterans' organizations. The same way, we respect the titles of "lieutenant, captain, chief captain" used abroad, at the same time, however, we do not assign [equivalent] ranks to these titles.

### **"Illegal Stripping of Rank"**

Many argued that their ranks have been stripped by an illegitimate government (or by an authority of an illegitimate government), and that therefore there was no need to restore such rank, after all, they did not recognize the fact that they have been stripped of their ranks. In this regard we hold the following:

- We do not regard as our official client anyone who fails to recognize as valid the moral rehabilitation activities of the present Hungarian government;
- Judgments as to the illegitimacy of one or another government administration must not be made on an emotional basis. Only the new system may qualify these as illegitimate.

### **Why Individual Petitions Are Needed?**

Many expect the Ministry of Defense to declare a general, collective rehabilitation. This is not possible in part

because a violation of laws of general applicability has never taken place vis-a-vis soldiers, and in part because we must examine the case of every person individually. This is so because there are instances in relation to which our proceedings are prohibited by law, however small the number of such instances may be. These cases include instances involving affirmed judgments of courts related to war crimes, crimes against the people or common crimes which courts refuse to annul. (Legal recourse exists also in regard to these instances. De novo trials may be sought, but these produce results only if one assumes that the judgment of the court has been formulated in an illegal fashion, or if new, ameliorating circumstances were to be presented.)

Regrettably, military archives do not contain unified, central records with respect to any group which was aggrieved as a result of violations of laws, including the fact that we have no roster of military persons who moved outside of the country. An individual petition has the same validity as submissions presented by any interest (comrades in arms) group or relative.

Based on the above reasons we find it necessary and desirable that anyone desiring to obtain military rehabilitation of moral significance report to our office (Ministry of Defense, Rehabilitation Committee, Post Office Box 25, Budapest 1885).

We also welcome those who wish to obtain our expert advice in regard to compensation and other social security matters.

Imbued by a sense of solidarity and with a sense of respect for the historical continuity of military traditions which strengthen the respect for traditions and sense of security of today's active duty military personnel, the Ministry of Defense and the Hungarian Honved Forces Command regards the continuation of military rehabilitation as an honor and as its duty.

A number of our comrades in arms do not come to us because they feel that "the same people continue to sit" in the Ministry of Defense, who thus far served the previous system and who benefitted from the previous system. In this relation I must make clear that—thank God—soldiers never made political decisions, they merely executed, and in many instances only endured political decisions. At no point in time did demagogic statements hold true which claimed that "officers were political factors."

Today's corps of generals and officers witnessed the system change proudly and with raised heads, and its members are steadfast supporters of their homeland. Minister Lajos Fur has declared his confidence in the officer corps more than once. This confidence extends to the rehabilitation activity, a matter which provides us with moral strength.

Officers in charge of rehabilitation are highly experienced professionals in the field of personnel affairs and interest protection. They regard their function as an

honor and perform that function with appropriate competence, a willingness to help and sympathy, while observing at all times the directions and positions taken by the minister.

We would like to see a situation in which we could enjoy a more broadly based confidence on the basis of the above and of our activities thus far, and in which we could win over to our cause our comrades in arms who thus far had reservations about us.

I prepared the above information for the benefit of my comrades in arms residing abroad, but I feel that it also may be important to other interested organizations and persons.

I verified the authenticity of each and every page of this document by affixing my initials.

—Budapest, 26 June 1991

—Colonel Gyozo Vajda, chairman of the Ministry of Defense Rehabilitation Committee

### **Suzuki Director Optimistic on Country's Prospects**

*91CH0902A Budapest MAGYAR FORUM  
in Hungarian 15 Aug 91 p 4*

[Interview with Masayuki Ishiguro, Suzuki deputy president in Hungary, by Laszlo Beli Szabo; place and date not given: "The Japanese Compete for the Hungarian Market; Hungarian Suzuki Also Preparing for the West"]

[Text] A few weeks ago we presented a report concerning the Suzuki factory construction project under the heading "Suzuki Accelerates." At that time we heard from the Suzuki president and from the two construction chiefs. All three were satisfied with the construction efforts and "gave their word" that by the end of October 1992 the first Hungarian Suzuki—awaited by so many of our compatriots—would roll off the production line. On this occasion we conversed with Masayuki Ishiguro, the Japanese deputy president of the stock corporation, about issues that also interest future Hungarian Suzuki owners.

[Beli Szabo] We learned that you just returned to your work in Hungary after several weeks in Japan. You certainly must have reported to the leadership of Suzuki C. Itoh about your experiences in Hungary.

[Masayuki] Yes, I informed them that we were satisfied to the maximum extent with our Hungarian partners. Work at the Suzuki plant progresses consistent with contractual requirements: Deadlines are met, qualitative criteria are observed. I also told my superiors that the small and medium-size subcontractors to deliver Hungarian parts would be able to perform the tasks they agreed to: the on-time delivery of perfect quality component parts.

[Beli Szabo] Could you also confirm that the first Hungarian Suzuki would indeed roll off the production line in late October 1992?

[Masayuki] Yes, I can. Failing to do so would represent a huge loss of prestige to us, one we could not afford. Car manufacturers throughout the world have their eyes fixed on each other and would take advantage of such a fiasco immediately.

[Beli Szabo] How did you describe us in Japan?

[Masayuki] We are satisfied with Hungarians to the fullest extent. Work is progressing pursuant to contracts.

[Beli Szabo] What new plans and concept do you have now that you returned?

[Masayuki] I received instructions to reduce manufacturing costs based on thorough calculations and analyses. The way we did in those days in Canada, Indonesia, India and elsewhere. The purpose of such cost cutting is to increase the competitiveness of our cars. We are in the process of developing our cost cutting plans while considering Hungarian conditions. We will discuss these plans with our Hungarian partners, of course.

[Beli Szabo] Could we interpret this as a statement to the effect that we, Hungarians will also be able to afford the Suzuki?

[Masayuki] Yes. Why would we build a factory in Hungary? True, we also want to target other countries from this location.

[Beli Szabo] Did you leave out West Europe from your calculations?

[Masayuki] To the contrary. We want the Hungarian Suzuki to "squeeze" other cars with a similar or larger cubic capacity in terms of price and quality.

[Beli Szabo] In other words the Esztergom factory was not designed just to please Hungarian car buyers.

[Masayuki] Hungary was chosen. No commentary is needed.

[Beli Szabo] How true are reports which hold that 50,000 Suzukis will be assembled in Esztergom in the first year already?

[Masayuki] Our primarily goal is to reach the "magic" 50,000 figure as soon as possible. The information you just mentioned is not true. I take this opportunity to make public the accurate figures by way of your newspaper: We will manufacture 16,000 Suzukis in the first year, 40,000 in the second year, and only in the third year will we produce 50,000 Suzukis.

[Beli Szabo] And if demand is greater than that?

[Masayuki] Marketing, or market research, if you will, is an organic part of our work. It follows that if the need

arises we will be capable of manufacturing 30- or 40-percent more cars without any trouble.

[Beli Szabo] This, however, also means that you are already thinking in European dimensions at the outset.

[Masayuki] Of course. I would not think that you should be disturbed if Hungarian Suzukis gained ground both in the West and in the East.

[Beli Szabo] The latest issue of the American newspaper THE NEW YORK TIMES carries an article under the heading "Hungary, the favorite of Western investors." The article states that within Europe, Hungary has come closest to becoming a success. How do Japanese businessmen feel about Hungary?

[Masayuki] I can only speak for Suzuki C. Itoh: Within Central-East Europe, Hungary is leading in the accomplishment of a structural change that corresponds with our requirements. I am not exaggerating when I say that the greatest variety of Japanese enterprises, firms, moreover, even operating capital, is watching with great interest how Suzuki spreads its wings in Hungary. If Suzuki succeeds—and why should it not—the Japanese will compete with each other to acquire the Hungarian market, and through Hungary, the markets of other countries.

[Beli Szabo] Who will deliver the component parts?

[Masayuki] Fifty percent of the component parts will be delivered to Esztergom from Japan and from West Europe, the other 50 percent will come from Hungarian enterprises and from this plant. At this point we have signed contracts with 30 Hungarian enterprises. The Suzuki's engine and gear will be manufactured in Japan, it will be shipped from there to Hungary.

[Beli Szabo] Are you not concerned that the car market will be saturated by the time the Suzuki enters the market in Hungary?

[Masayuki] In Japan there is one car for every three people; in Hungary, to the best of my knowledge, there is one car for every 10 persons. I am convinced that the Esztergom plant has a lot of work to do and will have a lot of orders for a very long time to come.

[Beli Szabo] Thus far we heard only good things about the Hungarian labor force. In what respects do Hungarian workers have to do better in the future?

[Masayuki] In terms of working in groups, making initiatives, and in reducing individualism. But even with this I can only say that the Hungarian colleagues work a lot and work well!

[Beli Szabo] How does Hungary and its people impress you?

[Masayuki] I did not know much about your homeland before I came here. By now, however, I learned a lot about the country's history, developed culture, and high

educational standards. I can objectively say the following about people with whom I have work relationships: They are very serious people, they are well prepared and work well.

This is the greatest assurance Hungarian industry has with respect to catching up fast with the industries of developed countries.

[Beli Szabo] What is your message to those who aspire to become Suzuki owners next year?

[Masayuki] They will acquire a good car that develops flaws very seldom, one that does not abandon people, and one that is economical and thrifty at the same time. It will be a very good investment for every buyer.

#### **Privatization of Foreign Trade Companies Viewed** *91CH0891A Budapest HETI VILAGGAZDASAG* *in Hungarian 31 Aug 91 pp 86-87*

[Article by Patricia Molnar: "Foreign Trade Privatization: Sellers for Sale"]

[Text] The number of entrepreneurial ventures engaged in foreign trade has already exceeded 30,000, yet 70 percent of last year's foreign trade has been transacted by altogether two dozens of "classic" foreign trade companies. A majority of the 24 large foreign trade companies still operates in the form of state enterprises, but not for long.

The government plans to transfer a substantial part of the former state foreign trade companies into foreign and Hungarian private ownership soon. The NGKM [Ministry of International Economic Relations] and the AVU [State Property Agency] have agreed to accelerate the transformation of foreign trade enterprises into corporations and to sell these firms thereafter.

At this moment one could not tell what proportion of the assets of the 24 "classic," formerly monopolistic foreign trade companies would be sold to Hungarian, alternatively to foreign investors, but AVU or the ministry certainly would not want to restrict the share of ownership in favor of one or the other. The exception proves the rule also in this instance of course. Agrimpex, Hungexpo, Technika, and Mertcontroll would continue to be wholly or partly owned by the state. At Agrimpex the kinds of commodities they sell, the strategic significance of grain and the Common Market's quota system warrant majority state ownership, while in Hungexpo's case, the state has expended unusually huge amounts for the development of a single international exposition site in Hungary, according to AVU adviser Zsuzsanna Erdelyi. In Mertcontroll's case the neutrality of this quality control organization would be protected by state majority ownership. After distinguishing between items for civilian use on the one hand, and arms sale on the other—which presumes a split of Technika into two parts—the firm which sells military items abroad would remain 100-percent state owned.

The foreign trading enterprises would be privatized individually, and not pursuant to a single pattern. Individual privatization plans will be developed by a committee composed of the head of the affected foreign trade enterprise (or a person designated by him), and one each representative from AVU and the NGKM. Consulting firms would be hired by the committee only in certain instances.

The total assets of the foreign trade companies subject to privatization amount to between 30 billion and 35 billion forints. The financial situation of these enterprises is mixed, but in the average each of the enterprises owns equipment worth between 1 billion and 4 billion forints. In addition, the enterprises invested significant amounts of money into manufacturing arrangements, foreign companies and financial institutions. Investments amounting to 1.3 billion forints by Chemolimpex, 675 million forints by Nikex, and 607 million forints by Hungarotex are the highest, but funds ranging from 100 million forints to 400 million forints are estimated to have been invested by each of the remaining enterprises.

One may expect appraisers to set the worth of goodwill (reputation, market position, connections) in individual foreign trade firms in the order of 100 million forints. This is suggested by the fact that an appraisal performed by the Arthur Andersen firm for Monimpex—which may be regarded as an average foreign trade enterprise—found that fixed assets comprised 76.3 percent of all assets, liquid assets amounted to 12.3 percent, while goodwill represented 11.4 percent of all assets and amounted to more than 200 million forints. (Incidentally, in 1990, not a single foreign trade company produced a financial statement pursuant to international standards, or was appraised accordingly.)

Those who developed the privatization concept justified the fact that an attempt would be made to sell these firms without raising their capital stock by referring among other matters to the huge volume of assets owned by these foreign trade firms. They would sell these enterprises without raising the capital stock despite the fact that these foreign trade organizations possessed little trading capital needed for transacting business. The lack of such capital—this being the reason for transacting 70-80 percent of all transactions on consignment rather than on their own account—would warrant privatization with increases in capital stock. No privatization revenues would enure to the state, however, if the capital stock was raised. In any event, AVU is trying to select from among competing offers some strongly capitalized investors willing to provide trading capital at a later date, e.g. in the course of raising capital stock. Having sufficient trading capital would also be in the interest of the new organization, because the new firm would likely be able to operate in a more profitable manner than under consignment arrangements providing secure but modest profits.

The financial statements indicate that new owners need not rescue these enterprises from a swamp: In 1990 none

of the 24 foreign trading enterprises operated at a loss. The ratio of taxed profits versus assets ranged between 2 percent and 9.6 percent with Mogurt (2 percent) and Ferunion (6.6) in the lower part of the scale, and Chemolimpex (8.4 percent) and Masped (9.6 percent) in the upper range. It is yet another matter that except for two organizations, the financial situations of foreign trade enterprises substantially deteriorated last year. This could primarily be attributed to the outstanding debts of these enterprises resulting from formerly socialist imports. An inability on part of these enterprises to ever collect part of their receivables due to the insolvency of their Hungarian partners is an equally likely scenario. Foreign trade enterprises are also threatened by the possibility of having to repay part of the so-called export refinancing credits they assumed on behalf of producer firms—again due to the partners' insolvency.

Despite the discontinued monopolistic rights, most classic foreign trading enterprises continue to play key roles in foreign trade. For example, in regard to steel products, Metalimpex together with its business organizations transacted 40 percent of all exports and 70 percent of all imports in 1990. One could expect large producer enterprises to continue not to use the services of foreign trade enterprises to procure base materials and equipment for their exports. At the same time, however, small business organizations are not likely to be able to maintain their own foreign trade divisions, and to finance expenses related to export sales (credit, transportation, guarantees). These firms will have a continued need for the services of specialized foreign trade firms. In order to remain competitive and due to concerns about complex business structures (barter deals to acquire basic raw materials from Soviet and Near East firms, Common Market quota system) a continued need will exist for foreign trade firms with great experience in individual markets and with established networks and connections.

The same could not be said about so-called representative firms which in earlier days served as agents for Western firms. Foreign firms establish their own offices by now. The AVU and the NGKM has yet to decide the fate of the representative firms. The fate of bank shares owned by foreign trade enterprises is also questionable.

Considering all the above, there appears to be sufficient demand for the foreign trade enterprises. Employees and managers familiar with their firms and with available opportunities would be pleased to own their present employers: Plans already call for the establishment of so-called buying out corporations within two firms AVU declines to identify. But since these foreign trade firms also have difficulty in finding financial institutions to advance the needed funds, and since the assets of these firms are huge as compared to their personnel size, it seems as unlikely that funds available to workers and managers would suffice to acquire even 15 percent of the shares—the maximum permissible proportion of assets

that may be purchased by employees at a preferential rate, pursuant to property policy guidelines.

AVU has received offers from investment companies for the purchase of Hungarotex and Pharmatrade even before the privatization program was complete (HETI VILAGGAZDASAG 6 Jul). Pharmatrade was chosen by the enterprise in which entrepreneur and National Assembly representative Janos Palotas holds interest, according to reports. The deadline for the mandatory call for bids has already expired, yet AVU has not yet disclosed the identity of the offerors. Considering Hungarotex's assets worth several billions and the decline of the textile industry once could be certain that no offers were received to buy Hungarotex. In regard to Pharmatrade, however, the initial valid offer exceeded by 150 million forints the firm's assets appraised at 605 million forints, and four additional investors expressed interest (in part due to public interest in medicinal herbs which were part of the firm's profile). We were informed that AVU found two of the offers eligible to remain in the competition.

#### **Interest Lobbies Seen Behind Danube Dam Project**

*91CH0882A Bratislava UJ SZO in Hungarian  
19 Aug 91 p 3*

[Article by Lajos Tuba: "Why Are We Again the Ones Who Have To Carry the Can?"]

[Text] The spoken word tends to be fleeting. When recorded in the course of an interview, however, it becomes permanent and starts off on its path of either conquest or destruction. Probably the latter will be the role of the statement made by Miklos Duray and reported in the 16 August issue of MLADA FRONTA DNES, published in Prague. He said that the government's purpose in completing the Bos [Gabcikovo] dam is to keep in fear and uncertainty a proportion of its citizens, namely the ethnic Hungarians of the Csallokoz [Velky Zitny Ostrov].

The advocates of the dam's rapid completion do not hesitate to bolster their weak professional arguments with bombastic propaganda. Gathering dust on the shelves, there are tons of publications praising Bos as one of socialism's great construction projects. These days there are people who regard the electricity to be generated there as the pledge of Slovakia's independence. Others expect the rusting cranes of the Pozsony [Bratislava] docks to generate several billion korunas of profit annually. Indeed, there are even people who believe that the future southern shore of the Kortvelyes [Hrusov] storage reservoir will be a vacation resort able to compete with Lake Balaton. And, according to the most fantastic pearls of Slovak nationalism, Hungary opposes Bos because this would be the first time in history that an international agreement confirms the Slovak-Hungarian

border; furthermore, because the project's embankments would be barriers in any military action to reoccupy the Csallokoz.

The situation of the opponents is not so favorable. Hence all they can do is to hope that persistent reiteration of the professional arguments will eventually succeed in planting the seeds of doubt in the minds of the lay public brainwashed by propaganda. The opponents are relying on credibility. Therefore any attempt to help them with cheap propaganda, lame even at first glance, is most unwelcome.

Let us briefly examine who actually are the people fighting for the Bos dam's rapid completion. On the ramparts we find the originators of the plans who are now retired. They fear that their lifework is being threatened. Of course, we do not know what bonuses they would be getting upon the project's completion. Officials of the Slovak Ministry of Forestry and Water Management likewise are fighting with all their might for the project's completion. Aside from the fact that these officials are facing the threat of seeing their jobs abolished but could prove in this manner a bit longer that they are irreplaceable, it is quite obvious that the ministry is the top organization within the huge lobby basing its future on the billions to be spent in Bos. The best-known among the lobby's [other] members is Hydrostav, the construction enterprise that employs several thousand workers and whose general manager, Ivan Carnogursky, is clearly fostering long-range plans. The enterprise has a good chance of winning several valuable contracts for which it is competing. Among them it will suffice to mention the contract to build the Pozsony metro, worth about 10 billion korunas [Kcs]; or a contract of the same order of magnitude, to build Slovak thruways. However, the commencement of these projects is still two or three years off, while several of Hydrostav's large-scale socialist projects are nearing completion. (In addition to Bos, also the Mohi [Muchovce] nuclear power plant, for instance.) But if the team of experts well used to working smoothly together had to be disbanded because the order book was empty, then Hydrostav's optimistic hopes of being able to compete at home and abroad would be dashed, Carnogursky's great political influence notwithstanding.

Winning the potential orders for construction work on the Csallokoz plains, worth between Kcs8 billion and Kcs15 billion, is thus vital to the huge interest groups possessing huge appetites. After all, Hydrostav's deputy general manager let the cat out of the bag at a recent press conference. He tried to reassure DOPRASTAV's worried reporter by telling him that the temporary solution for Bos would provide two years' work for the entire Slovak construction industry that is now in a crisis. Naturally, Vaclav Klaus likewise knew why he was making the comment that was reported also in our paper recently.

Well, that is how the "Bos racket" stands. Things would undoubtedly be the same even if the Csallokoz were



populated entirely by "patriotic" Slovaks. A good example to support this assumption is the Turcek storage reservoir, currently Slovakia's No. 2 water-related scandal. There the technocrats intend to flood a lateral valley of the Turoc [Turiec] basin that is regarded as one of the holy places of Slovak culture. Many people oppose also that project, and propaganda finds cheap phrases for them as well.

We recently had opportunity to see what the propaganda machinery, having switched to its new masters after serving internationalism, was able to make of the Danube's high water level that lasted about three days. Last week Miklos Duray tossed another ball into the propagandists' court. Most probably they will hit it quickly, and will even step on it a few times. And we may stop to wonder: For whom has my geologist colleague actually performed a good deed? Not, I am afraid to say, for the Csallokoz residents and others who, irrespectively of their nationality, are fighting to save the environment.

#### **Companies Owing Taxes Face Bankruptcy**

*91CH0896B Budapest MAGYAR NEMZET  
in Hungarian 17 Aug 91 p 5*

[Article by (kertes): "Receivables Already Amount to 40 Billion; Nonpayers Fear Social Security the Least"]

[Text] The National Social Security Chief Directorate fulfilled what it had promised almost two months ago: It publicized a respectable list of employers owing the highest amounts of social security contributions. As of 31 May 1991 the arrears of no less than 3,355 firms exceeded 1 million forints each.

At this time the Social Security directorate disclosed the data of only 74 of the 100 largest debtors because payment agreements have recently been reached with 26 employers, so they claimed. The 26 includes the indebtedness of MAV [Hungarian State Railroads] increased in the meantime to almost 6 billion forints, an amount which obviously warrants a "settlement by way of governmental action."

Based on records maintained by regional social security directorates a broadly based liquidation proceeding is being initiated on 2 September 1991 against notorious nonpayers. This action has become the more urgent since toward the end of July the receivables approached the 40 billion mark, despite the fact that as of recently the nonpayment trend has moderated somewhat. Irrespective of this, the complete list of debtors will be made public during the second half of September.

National Social Security Chief Directorate press spokesman Geza Baranyai told MAGYAR NEMZET that they were pressured from two sides, because their revenues showed a continuous decrease while—for good reason—people expected more and more from Social Security. On the other hand, Social Security was awaiting a government decree now being prepared,

which would make it much easier to collect the contributions due. This much is already known: there will be a way to pay off the indebtedness in the form of property and securities. Nor is it a secret that in the near future Social Security will have access to information gathered by banks, and thus it will be easy to find out whether a debtor is able to pay. And something else: presumably the decree will include a provision which authorizes late payment supplements to exceed the amount of indebtedness.

Unfortunately the government has thus far not kept its promise to the effect that social security contributions would rank second after wages among items to be paid by employers, even though a requirement of this nature would be highly justified, according to the press spokesman. He also said that they would not, by far, initiate liquidation proceedings against employers who manifest a preparedness to pay. At the same time, however, they are being forced to initiate proceedings whenever they find that firms which would otherwise be able to make payments fail to pay. In other words, these firms expend the 43-percent social security contribution for other purposes by choosing the path of least resistance, because they feel less threatened by the Social Security Directorate than by others to whom payments are due.

On the other hands, it would be difficult to respond to the merits of the question which asks: what happens to the 10-percent pension contribution deducted from employers but not forwarded to the Social Security Directorate? One may expect that the government decree to be sanctioned in the near future also will shut close these little gates forever.

The list of debtors owing the largest amounts of contributions was barely made public when VOSZ [National Association of Entrepreneurs] registered its protest. As VOSZ Co-Chairman Peter Szirmai told an MTI reporter: They objected in particular to the fact that the list presented the name of debtors on a selective basis. "The entire list becomes unreal the moment MAV's 4-billion-forint indebtedness is not shown." It has been reported that entrepreneurs have filed a petition with the Constitutional Court regarding a similar case, but their petition has been rejected. The co-chairman added: Social Security could hardly expect to receive substantial revenues as a result of publicizing the list of debtors. He did not conceal the fact that he understood the concerns of Social Security, "because it is indeed true that due to the present [lax] payment discipline and the government's tight money policies enterprises grant credit to each other. One should not forget however that there has been talk about reforming Social Security for three years, and that nothing has happened. For this reason, from a practical standpoint, a significant part of Social Security contributions acquired the character of taxes, i.e. that no provisions enure in exchange for payments. Thus it becomes understandable why the debts do not bother the sense of justice of those who fail to pay."



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In the order of the magnitude of their indebtedness the following is the list of the 25 largest debtors:

Ranking	Name of Firm	Forints (in thousands)
1	Digep	554,074
2	Ganz Electrical Works	277,623
3	Videoton Industrial Company, Inc.	214,318
4	Nograd Coal Mines, Mining Plant	212,993
5	Mecsek Coal Mines, Komlo Mining Plant	209,280
6	Borsod Coal Mines, Bukkalja Mining Plant	172,047
7	Borsod Coal Mines, Mining Plant	151,829
8	Mecsek Coal Mines, Pecs Mining Plant	131,361
9	Mikroelektronika Enterprise	121,704
10	United Electric Machinery Works	116,483
11	Dorog Coal Mines	115,481
12	Pallas Newspaper and Book Publishing Enterprise	113,301
13	Raw Iron and Steel Manufacturing Ltd.	109,721
14	Pest Area Machine Works	107,165
15	Borsod Coal Mines, Putnok Mining Plant	105,081
16	Bazis Trans-Danubian Construction Industry Enterprise	104,713
17	Foundry Base Material Preparing Enterprise	101,033
18	Foundry Plants (Miskolc)	101,001
19	Borsod Coal Mines, Szuha Valley Mining Plant	99,236
20	Electronic Measuring Equipment Works	95,899
21	Hungarian Film Manufacturing Enterprise	92,454
22	Ozd Steel Works, Inc.	91,209
23	Tungsram, Inc.	84,903
24	Gamma Works	83,545
25	Komplex Maintenance and Service Company Ltd.	82,366

### Enterprises Paying Taxes on 'Fictitious Profits'

91CH0891B Budapest NEPSZABADSAG in Hungarian  
30 Aug 91 p 7

[Interview with Sandor Kopatsy, an economist at the Financial Research Institute, by Zsuzsa Gal; place and date not given: "The 150 Billion Trick"]

[Text] Enterprises also pay taxes after fictitious profits. The state budget receives additional tax revenues amounting to about 150 billion forints annually as a result. If taxes were paid only after actual profits the budget deficit would be larger by 150 billion forints, according to Sandor Kopatsy, an associate at the Financial Research Institute, Inc. This situation is not the result of some honest mistake in his view, but involves the depletion of state assets and the continuous replenishment of the state budget. In this interview granted to NEPSZABADSAG the economist also propounds his view about inflation, which differs from what is generally believed to be true.

[Gal] You stated in several publications that enterprises did not pay taxes after their actual profits. How can fictitious profits evolve in an enterprise?

[Kopatsy] Such profits come about in two fundamental ways. Enterprises declaring noncollectible receivables as active receivables is one way. The banking sector is able show several billions of forints in profits as a result. The other method is to show unrealistic, low amortization values as expenses.

### Fictitious Profits?

[Gal] Please tell me about the latter.

[Kopatsy] Inflationary effects cannot be filtered out under the Hungarian system of preparing financial statements. Enterprises do not assign current values to their fixed assets, i.e. they account for their fixed assets at prices they paid at the time of purchase. Industrial enterprises are permitted to apply a 6-percent amortization rate in the average; this would not suffice to continuously replenish their used up fixed assets even if the prices of machinery and of buildings did not increase as a result of inflation. Since prices have just about tripled since the introduction of the financial statement system, the 6-percent amortization rate amounts to only about 2 percent by now. This means that whenever an enterprise accounts for a 6-percent amortization expense based on the purchase price, in reality it creates resources for the replenishment of fixed assets only to the extent of 2 percent of their value. At the same time the difference—the remaining 4 percent—appears as taxable profit.

[Gal] How could amortization expenses turn into profits?

[Kopatsy] Enterprises deduct expenditures from their sales revenues, and whatever is left constitutes profit. If they indeed show the value of amortization—this large expense item—only to the extent of one third as an expense, the other two thirds become profits. These two thirds of the amortization expenses do not constitute real profits of course, these are fictitious profits. I could also put it this way: Amortization covers only 30 percent of the replacement value of fixed assets, while 70 percent of that value appears as taxable profit.

[Gal] How did you arrive at the 150 billion forint annual figure by which the present accounting system boosts the state's tax revenues?

[Kopatsy] Thus far I designated the 150 billion figure only as an estimate, but now, calculations performed at the Privatization Research Institute proved this figure to be correct.

[Gal] Does this situation create problems beyond the fact that the budget receives more tax revenues than it should?

[Kopatsy] And how much so! One could go so far as to accept a situation in which the state declared that it made up for the budget deficit by using 150 billion forints derived from its property. But the state does not say so. It makes these funds appear as withdrawals from profits while it is actually using up its own property to be privatized. State property is also being used up whenever enterprises sell their real property, such as offices and recreational facilities, in order to make payments. If we included this in our calculations the value of state property used up would not amount to 150 billion forints, but to between 200 billion and 250 billion forints. The truly great problem is not that the real budget situation is worse than shown, but the fact that they are not aware of this, and that by using up their assets enterprises are destroyed before their privatization—they go broke.

[Gal] Is it possible that the financial situation of state enterprises is more favorable than what their financial statements lead us to believe?

[Kopatsy] As I told World Bank professionals at the time of their visit: Many U.S. firms would become insolvent within six months if the amortization rate was fixed at a mere 2 percent along with a 45-percent profit tax. They did not argue with my statement, they agreed.

#### Shortage of Funds at Enterprises

[Gal] Was it a mistake to leave the rules for preparing financial statements unchanged while inflation in Hungary picked up in earnest?

[Kopatsy] The origins of shortages of funds at enterprises date back prior to the system change. In those days we saw the beginnings of discontinued grants, and this in itself was a good idea. At the same time, however, they should also have reduced the amount of money taken

away, because the balance of the original withdrawals and grants permitted enterprises to keep in step with technical progress, however modest the extent of such progress might have been. But the money available to state enterprises decreased in response to the gradual termination of grants. This served only to accelerate inflation. Production is declining not only because of the shrinking Eastern market, but also as a result of the technical deterioration of enterprises. At the same time, reduced production leads to inflation.

[Gal] Could it be that the outflow of excess income over and above the production value led to inflation?

[Kopatsy] Inflation in Hungary exists primarily as a result of declining production, but we try to protect ourselves against inflation as if it was caused by increased income. Such inflation is unknown to capitalists, inflation was always caused by runaway income in capitalist countries. Production has been on the decline in Hungary for three or four years and inflation has been caused primarily by shrinking supplies. The main reason for inflation in Hungary is an inadequate volume of production incapable of appropriately meeting demand.

[Gal] Would it then follow that the anti-inflationary policy proclaimed by the state amounted to empty talk?

[Kopatsy] No, because brakes must also be applied on the income side as part of fighting inflation. But inflation cannot be stopped by doing so if in the meantime we strengthen the chief cause of inflation by rendering the already inadequate utilization capacities even worse, by reducing production. In a country with high taxes and with high constant costs production must not be stopped even if it incurs a loss, until such time that a better way is found, as long as the halting of production causes unemployment.

#### Used Up Property

[Gal] Are you then opposed to bankruptcy proceedings?

[Kopatsy] I am opposed to excessive bankruptcy proceedings. Let us assume that we have an enterprise running a deficit, but which has already paid 1 billion forints in sales taxes, 2 billion forints in social security contributions after paid out wages, and 4 billion forints in wages to its workers. Although this enterprise incurred a loss, it has contributed significant sources of income to society. How much do we save if we shut down that enterprise? Those who collected taxes and social security contributions will experience a drop in revenues with hardly any corresponding reduction in expenditures, because 3 billion forints in unemployment assistance funds will have to be paid. Accordingly, on balance, the revenues collected by society were reduced, but its expenditures increased while workers became more poor.

[Gal] The new accounting law puts an end to using up enterprise property, and to revenues based on using up enterprise property. Accordingly, what you objected to at

the beginning of our discussion would cease: the activation of noncollectible receivables, the turning of amortization into fictitious profits and the taxation of such profits, and with that, the continued deterioration of state enterprises.

[Kopatsy] This situation will not cease even after the passage of several years! Parliament has authorized the finance minister to enforce the rules of the accounting law only gradually, in the course of a few years. Thereby it granted a greater power to the finance minister than what parliament itself exercised when it adopted the law. Thus the finance minister has been enabled to implement the law only to the extent that the corresponding decrease in revenues was tolerable from the budget standpoint. And as long as decision-making authority regarding the choice of enterprises that should be reappraised and whose financial system should be modernized rests with the Finance Ministry, the income of every state enterprise depends on the enterprises' relations with the Finance Ministry staff.

[Gal] Do you think that the finance minister asked for the gradual implementation of the law only to prevent a situation in which the state budget must surrender the 150 billion forints you indicated?

[Kopatsy] I have no doubt about that. But I stress that I recognize the real trouble in the fact that state enterprises use up their assets. This will soon produce additional crisis phenomena. Since the chief form in which assets are used up is the taxation of amortization turned into profits, the crisis phenomena will be prolonged longer in proportion to the degree to which accounting is gradually modernized.

#### **Exporter Says Antimonopoly Rules Hinder Sales**

91CH0907A Budapest HETI MAGYARORSZAG  
in Hungarian 6 Sep 91 p 11

[Interviews with Andras Vermes, chairman and director general of AGRIMPEX; Daniel Laczfi, director of Gabona Rt; and Dr. Gyorgy Rasko, state secretary at the Ministry of Agriculture, by editor-reporter Julia Pfeiffer under the rubric "The Week"; places and dates not given: "The Problems With Wheat Export Are Over"; Growers Bear the Marketing Risk"]

[Text] [Pfeiffer] Do international traders know how big this year's wheat crop has been?

[Vermes] To our knowledge, nearly 6 million metric tons.

[Pfeiffer] How much of that has been sold?

[Vermes] By my estimate, between 700,000 and 800,000 metric tons.

[Pfeiffer] Which countries purchased that volume?

[Vermes] Primarily the Soviet Union.

[Pfeiffer] It was said that AGRIMPEX and Gabona Rt [Grain Corporation] between them would ship only 500,000 metric tons to the Soviet Union.

[Vermes] Over and above what has been announced, we have sold about 200,000 metric tons for cash, rather than against state export guarantees. This additional quantity is already being shipped to the Soviet Union.

[Pfeiffer] What will become of the remaining wheat?

[Vermes] In my opinion, between 700,000 and 900,000 metric tons more could be exported, if the quality were suitable. But there are problems with the quality. We probably will have to find spot markets for this wheat. Iran could be one such market. But we have to ship to Iran through the Soviet Union, as has often been reported in the press. Consequently, shipments to Iran reduce our capacity to ship to the Soviet Union; and conversely, shipments to the Soviet Union reduce our capacity to ship to Iran. The combined volume cannot be increased in this manner. An insignificant volume could perhaps be sold overseas. (Here I have Libya and perhaps Egypt in mind.)

[Pfeiffer] Egypt has stepped in for a large volume. At least the state secretary at the Ministry of Agriculture said a month ago, specifically under the rubric "The Week," that the problems of wheat export are over, because Egypt is buying a fairly large volume.

[Vermes] We, too, have been and are negotiating with Egyptian firms. We know the Egyptian market very well, but are skeptical. We have not been able to sell them anything either. The Egyptians have been buying grain for decades within the framework of U.S. foreign aid. They have no cash with which to buy grain. One after another, the Egyptian firms have confirmed this.

[Pfeiffer] Others, too, have suspected that it would be difficult to sell this year's surplus wheat. The competent ministry has invited tenders from exporters. How does that look to you as an international trader?

[Vermes] In the form as announced, the invitation to tender is unprofessional and misleading, in our judgment. Because anyone wishing to submit a tender offer must deposit 50 forints per metric ton as earnest money. Therefore everyone wishing to export, or to attempt to negotiate a deal, hastened to deposit the mandatory 50 forints per metric ton, in order to be sure of getting an export license if and when there is a deal. Accordingly, export-license applications for several million metric tons have accumulated. The competent authorities, I suspect, have interpreted this to mean that Hungary's surplus wheat has been sold, and that it has thus ceased to be a special problem. We also object to a provision that we consider entirely ridiculous: no single firm may tender for more than 30 percent of the volume available for export. This obviously means...

[Pfeiffer] That there must be no monopoly!

[Vermes] Yes. Well, for instance, AGRIMPEX could sell 50 percent. Gabona Rt, our competitor, has not requested that we divide the market, but it could sell the other 50 percent. Between us, we could solve Hungary's grain export but are unable to do so, because we jointly may have at most a 60-percent share. Furthermore, this percentual limit creates the misleading impression that there is a huge market out there, and therefore the sales to it have to be limited.

[Pfeiffer] Are cooperative-farm chairmen and peasant farmers right in saying that they are stuck with their wheat because they cannot sell it to the Russians, and international traders are unable to sell it in the market?

[Laczi] Today everyone buys as much wheat as he deems appropriate.

[Pfeiffer] Your mean, from the Grain Trading Enterprise?

[Laczi] Either from the Grain Trading Enterprise or from commercial firms. From anyone who is a licensed grain dealer. It is easy to obtain a license these days. You merely fill out a one-page form, and the next day you are a licensed grain dealer. Today the growers bear the marketing risk. That is quite obvious.

[Pfeiffer] And is that normal?

[Laczi] Generally speaking, it is. This is not the first time in our history that we have put the cart before the horse. Nobody in the world understands that Hungary has just undertaken a complete deregulation of entire grain management.

[Pfeiffer] In other words, the state has withdrawn from everywhere.

[Laczi] Except for the minimum price that the state sets. It is a criminal offense to buy or sell grain for less than the minimum price.

[Pfeiffer] And even that has been amended along the way.

[Laczi] No, this provision has not been amended. There has merely been a promise to amend it, which has led to considerable confusion. In the end, however, the mentioned provision has not been amended to this day.

[Pfeiffer] If you were a grower, what would you sow and on how large an area? Would you consider growing wheat at all?

[Rasko] I would sow of whatever I had been able to sell at least 75 percent to someone, one way or another, even before planting. And if I had a contract with a reliable partner. I would not sow on the hope that things would turn out somehow.

[Pfeiffer] Do you mean to say that, instead of obtaining seed wheat, the first thing a grower should do is to find a reliable partner who will sell the harvested wheat crop?

[Rasko] Yes. The thinking in our country has to be turned around. We have to grow what can be sold.

[Pfeiffer] Well then, let us do some sums! The government has provided export guarantees for 1.3 million metric tons. So far 500,000 metric tons of that amount has been shipped, at least on paper, to the Soviet Union. And 200,000 metric tons has been sold for cash. But that still leaves some 1.3 million metric tons.

[Rasko] That is unquestionably true. But I might add that we have sold 100,000 metric tons to Albania under a state export guarantee. The Common Market has purchased another 100,000 metric tons, and that too is going to Albania. So we already have 900,000 metric tons [sold]. In practice, let us say, the volume for which we have yet to find buyers is at most 500,000 metric tons. Probably that will not require any guarantees from the government. It can be said that merely 60 percent of our total wheat harvest of 5.6 million metric tons is truly food-grade wheat of high quality.

[Pfeiffer] In other words, you are saying also now what you have been saying a month ago. That our problems with wheat export are over.

[Rasko] Yes. The still remaining problem is that the grain-trading enterprises are holding back with their wheat purchasing, because of their own cash-flow problems. And in part because they, too, are speculating.

[Pfeiffer] Meanwhile the agricultural cooperative or farmer who harvested the wheat should store it. But where?

[Rasko] Unfortunately, we know of several instances of harvested wheat being stored outdoors. That indicates a complete lack of business sense. For there clearly is enough storage capacity in Hungary for this much wheat.

### **Shrinking Market, Debts Plague Wine Industry**

*91CH0891C Budapest MAGYAR HIRLAP  
in Hungarian 30 Aug 91 p 9*

[Article by Ildiko Nagy: "One and a Half Billion Forints to Producers? Grapes, Wine Are Not Needed"]

[Text] One vintage in the cellar, one on the vine, one in the bank, according to the old wisdom. And yet no one is pleased today when more than half of the old wine can be found in the cellar and a promising vintage is still on the vine. There is nothing in the bank, moreover, the state wine industry is burdened with debts amounting to 4 billion forints. Contrary to previous years' practice, short of credit the produce is not being bought up this year, all they do is to process and to store under contract. What will be the fate of an anticipated 830,000 tons of grapes under such circumstances, and of the 5.3 hectoliters of wine, and not to the least: What will happen to the producer who worked all year long and invested a significant amount of money?

A situation in which one-third of the storage capacity of wine cellars is taken up by last year's vintage at the end of August has not presented itself for years. Prior to this year's vintage, 3 million hectoliters of last year's 5.4 million hectoliter vintage wines are still to be sold. In and of itself this would be no problem, the stored volume does not hinder the vintage and the total storage capacity accommodates 10 million hectoliters of wine. "This presents no headaches," we were told by Agriculture Ministry Deputy Division Director Gyorgy Szabo. "The concern centers on stagnant supplies and a lack of capital at a time when the winery vertical integration has become indebted. The state wine industry alone is indebted to an extent of 4 billion forints repayable with a 40-percent interest. At the same time the value of an average year's vintage amounts to between 13 billion and 14 billion forints. Thus it is understandable if processors—at the brink of bankruptcy and along with zero- or 1-percent profitability indexes—have second thoughts about taking out new loans to buy up grapes. Let us recall what happened in previous years. Those in better situations paid out the price of produce received in the fall by December, others, in worse situations, did so before May. From a practical standpoint the producer advanced the credit for processing, storage and sales. This practice can no longer be followed. A ministry decision is not at issue here," Szabo stressed, "the wineries themselves made this decision. In addition to processing their own vintage, many agree to process or store wine only under contract. Based on information available to the Ministry, processing costs will amount to 1.50 forints per kilogram of grapes in the average, and between 20 and 30 fillers will have to be paid by producers per month for storing each liter of wine. These are producers who worked all year long and purchased pesticides. They may ponder to whom to sell that wine while having their wine stored.

"Producers will certainly be unable to cover the costs of processing and storage. For this reason, and in order to bridge this truly new situation, the ministry has been urging since July the establishment of a 1.5-billion-forint intervention fund to cover these expenses. Since funds available to the committee which coordinated the rules of order for agricultural markets have been exhausted, this added burden would have to be financed from the state budget. In order to avoid additional tensions that may be expected in the field of agriculture, an understanding by governmental organs is needed before parliament is able to vote on this issue."

Since 3 million hectoliters of last year's 5.4 million hectoliters of wine still rest in cellars, and since 1.2 million hectoliters were sold in Hungary and 1.2 million hectoliters of their own vintage wines were consumed personally by the producers, it is not hard to figure out that not much wine has been exported. Csaba Horvath, an official, was unable to provide accurate data because enterprises were exporting under their own authority and information did not flow due to the changed customs system. In analyzing the cause of the situation

Horvath said that in previous years one could not regard the wine market as a real market. Since previously we had to satisfy obligations established in the framework of interstate agreements, the primary goal was to fulfill obligations abroad. We sold 300,000 hectoliters from the previous vintage in the West, and 1.3 million hectoliters to socialist countries. Of this volume the Soviet Union purchased 840,000 hectoliters and the GDR 264,000 hectoliters. The fact that neither of these markets are open to Hungary is well known and the world market is saturated. Management and a good advertising campaign would be needed to sell even our best quality wines. This function cannot be performed by either the producers or the processors by themselves, for this reason persons active in this field pin their hopes to receiving assistance from the state.

At the same time, this branch of agriculture has become artificially fragmented, Horvath said. Producers, processors and sellers have divergent interests. The ownership situation that has evolved is also contradictory: 85 percent of production is in private hands, but processing facilities are privately owned only to an extent of 15 percent. On the other hand, contrary to the situation in developed countries, commercial channels are not interested in reinvesting their profits derived from sales into production. Thus it comes as no surprise that the producer constantly finds himself in conflict with both the processors and those engaged in the sale of wine. Although privatization has begun, it has taken only a first step. This is so because converting wineries into stock corporations is not enough, according to the official. Two things are missing before a fundamental change can be accomplished: operating capital and a market. A situation in which the producer becomes interested in processing, sales as well as in management has yet to evolve—a situation in which the producer observes the entire path travelled by his produce and does not worry if his last year's wine remains in his cellar. A third condition must be fulfilled before this can be accomplished: "A vintage must be kept in the bank." By then the organizing efforts of producers along the lines of professional interests and the protection of interests might gain strength, the so-called mountain village law might be reenacted—a law which in the previous century provided rules for wineries and for the protection of quality, origin, and trade marks almost simultaneously with French laws.

#### **Ultra-Light Private Planes To Be Manufactured**

*91CH0893A Budapest REFORM in Hungarian No 33, 15 Aug 91 p 9*

[Article by zeta: "The First Hungarian Private Airplanes in the Making"]

[Text] Parts from America; price: 3-4 million forints; cruising speed: 136 kilometers per hour; can be stored in a garage; two are ready for delivery. It joyfully takes off and lands, be it dry land or water, earth, snow, or ice—and it even soars.



A few years ago everyone would have laughed at a Hungarian if he declared that he wanted to fly his own airplane in Hungary's air space. By now that dream has come true: Thanks to Mikropo Small Cooperative anyone can buy an ultra-light airplane in Hungary.

"The breakthrough came with the departure of the Soviet troops," according to Laszlo Molnar, the cooperative's president. "The air space thus became free and also became available to private airplanes."

With the help of friends at MALEV [Hungarian Airline] the firm entered into contract with an American airplane manufacturer to distribute the Model KIT-FOX III in Hungary. The dismantled airplanes arrive in containers in the form of component parts from the State of Idaho. There people have been flying such planes since 1984. It takes three months for Hungarian mechanics to assemble the airplanes. Buyers take possession of the airplanes at Farkashegy within three to five months. Two airplanes have been assembled thus far.

The airplane weighs 220 kilograms and is suited to carry two persons. Its cruising speed is 136 kilometers per hour. It is capable of flying between 400 and 500 kilometers with a tank full of gasoline, but it can fly nonstop as far as 1,500 kilometers if equipped with reserve tanks. It costs between 3 million and 4 million forints.

Due to minimum medical requirements 90 percent of all healthy persons may pilot the airplane. The small cooperative is also offering theoretical and practical training to its customers at the airport nearest to where they live.

The 80-horsepower ROTAX motor is well known to glider pilots. It can be operated with an automatic starter.

With its wings bent toward the rear the airplane can be stored at home in a garage. It is 6.4 meters long. Rolling on its large diameter wheels it can be towed by a car to a nearby airport at a speed of between 60-80 kilometers [per hour]. At present there are 90 airports in Hungary from which the airplane is able take off. The plane can also take off from water or snow if equipped with floating gear.

It makes no difference if the engine stalls high above: The plane is capable of landing as a glider. If such landing presents a too-demanding task for the pilot, a push button operated parachute installed in the airplane opens and the entire plane can be brought down from the air without incurring damages.

The small cooperative offers the airplanes primarily to hobbyists, even though it could be used as a taxi. They are also thinking of selling two-to-four person helicopters to entrepreneurs. These machines will also arrive from America in containers. It will take 3,000 hours to assemble the component parts, already tested in the United States.

### Former Slovak Education Minister Called Turncoat

91CH0882B Bratislava UJ SZO in Hungarian  
15 Aug 91 p 4

[Article by Sandor Varga: "The About-Faces of Mr. Kovac; Greatness of Mind Is Relative"]

[Text] We all remember Dr. Ladislav Kovac, the eminent biologist who became education minister in the Cic cabinet after the revolution. Now, after lengthy silence, he has again spoken out in public. The 3 August issue of NARODNA OBRODA published his three-column article entitled "Political Illiteracy Is Our Misery." He gives us his opinion of the events at home, as he sees them through "the optics of living abroad." Namely, after the elections last year, Mr. Kovac became a staff member of the Czechoslovak UNESCO Mission in Paris. In his article Mr. Kovac also calls attention to ignorance of the basics of politics that is evident mainly among members of parliament and practicing politicians. As a result, he believes, our civil rights and hard-won but fragile democracy are in danger. He urges voters to educate themselves politically, so that at least they may see clearly in the elections next year, to elect candidates who stand for true values, rather than all sorts of social adventurers. His article is calm and deliberate. Practically a balm in the sea of demagogic writings that serve dubious—party and individual—interests in the verbal fencing of today's Slovak press.

All this so far would be in order, but for the fact that we remember so vividly Mr. Kovac's stint as head of the Slovak Ministry of Education, from December 1989 until June 1990. Before dwelling on that, however, let us go back briefly to before the revolution, so that we may gain a more complete picture. Under the party-state, in 1987-88, a sociopolitical and historical essay by Ladislav Kovac, a biologist, was being disseminated as samizdat literature. It discussed the common history of the Slovaks and Hungarians, with an objectivity rare among Slovak intellectuals. For that we all valued and respected him. And when he had an opportunity to expound his views to a wider audience on a moderately dissenting but still tolerated TV program, we began to have hopes that the idea of Slovak-Hungarian rapprochement would have the support of such an eminent researcher as well.

Therefore we welcomed with great satisfaction and hope his appointment as education minister in the first free government after the revolution. We were confident that, with his help, it would soon be possible to remedy the shortcomings with which Hungarian schools in Czechoslovakia are struggling in the wake of the restrictions imposed by the party-state. Everything went smoothly in the beginning. We discussed the appointment of an ethnic Hungarian as one of the deputy ministers, and the establishment of a Main Department of National Minorities in the ministry. Although he was hesitant about appointing a Hungarian deputy minister, he did promise to set up the main department. His



speech at the organization meeting of the Hungarian Teachers Federation, held in Nyitra [Nitra] on 19 January 1990, won him loud applause.

But then something happened in February. He attended a conference of Slovak teachers in Surany. Afterwards he himself said he had spoken there in a European spirit, for which he had been booed. We are well acquainted with the unfounded accusations against Hungarians at the series of Surany conferences held at the time, and with the memorandum of 3 March drafted there as a document of national exclusiveness and extreme intolerance. After the setback he had suffered, Mr. Kovac hastened to correct his "mistake." But now he was careful to speak in a way that would suit the taste of his audience obsessed by unbridled passions. They cheered and applauded him. Thereafter he was one of the idols of the nationalist movement. Regrettably, he took that role seriously. With his statements and official actions he hampered the development of Hungarian education in Czechoslovakia after the revolution. On his own initiative, he even crafted an ideology for his actions. In lengthy theoretical writings he attacked the Hungarian petitions for a democratic solution to the question of education for the national minorities. He launched ruthless personal attacks against individual Hungarian politicians in Czechoslovakia. He argued by distorting their views and attributing malice to them. But he was not at a loss for false allegations either. We who had respected and admired him for his previous stand were astounded and could not believe our senses. How could such an eminent

scientist and researcher, whose name had been considered even by the nominating committee for the Nobel Prize, be possessed to such an extent by the crudest extreme nationalism and hatred? In sharp contrast with his previous writings, justifying on an intellectual level the most absurd accusations and nationalist incitement against Hungarians, he developed and believed to have discovered in our democratic aspirations for Hungarian education, which did not violate Slovak interests at all, an anti-Slovak Hungarian doctrine that never existed.

But the minister occasionally let his tongue slip. For instance, when the otherwise inadequately prepared question of a Hungarian university in Slovakia came up, he opposed it on the grounds that such a university would probably attain a high intellectual level very quickly, and that would be detrimental to the Slovaks' interests. That does not require any comment. He let his tongue slip on this same topic also on another occasion. To the reporter of the Panorama show on TV he expressed his opinion that within a few years the language of instruction in Slovakia's higher education would be English anyhow. Too bad that he did not spread this view also among his fellow Slovaks.

In conjunction with his recently published article, one stops to think what attitude to adopt regarding Mr. Kovac's frequent about-faces. In any case, the events advise caution. Historical examples prove that even under threats the truly great minds refuse to spread false ideas and hatred against others. If Ladislav Kovac has done so voluntarily, out of conviction or calculation, then it becomes doubtful that his is at all a great mind.

**Breakdown of Parliamentary Clubs Provided**

91EP0701A Warsaw RZECZPOSPOLITA in Polish  
31 Aug-1 Sep 91 p 2

[Article by K.Gr.: "How Many Clubs in the Sejm?"]

[Text] Seven clubs were active during the first months of the current Sejm: the PZPR [Polish United Workers Party] had 173 deputies, the OKP [Citizens Parliamentary Club] had 161, the ZSL [United Peasant Party] had 76, the SD [Democratic Party] had 27, PAX [Publishing Institute of the ChSS—Christian Social Association] had 10, the UChS [Christian-Social Union] had eight, and the PZKS [Polish Catholic-Social Union] had five.

In mid-December 1989, four deputies (including Roman Bartoszcze and Tadeusz Kaszubski) left the OKP. Together with three deputies from the ZSL club, they founded the PSL [Polish Peasant Party] "Wilanowska" Club. On 4 January, a new club emerged from the OKP: the Parliamentary Club-Democratic Union [KPUD]. This club is made up of 43 deputies and 27 senators, primarily from the ROAD [Citizens Movement-Democratic Action] and FPD [Forum of the Democratic Right] circles functioning within the OKP. Several persons from the Group for the Defense of Employee Interests, which existed within the OKP (these persons included Ryszard Bugaj and Andrzej Milkowski), established the Labor Solidarity Accord circle at the end of January. At present this circle, as the Labor Solidarity Parliamentary Club, is outside the OKP and numbers five persons. Today the OKP has 165 members, including 106 deputies. The KPUD numbers 79 persons, including 46 deputies.

After the liquidation of the party, the PZPR Club changed its name to the Parliamentary Club of the Democratic Left [PKLD]. At the end of February 1990, six deputies left the PKLD, creating the Club of Independent Deputies. On 23 March, PUS [Polish Social Democratic Union], along with seven deputies (including Marian Orzechowski), left the PKLD. At the beginning of September, seven deputies from the PKLD and one from PUS created the Military Deputies' Club, chaired by Zbigniew Puzewicz. Today the PKLD has 104 deputies, the Deputies' Labor Club (formerly PUS) has 41, the Military Deputies' Club has nine and the Independent Deputies' Club (whose chief is Zbigniew Kostrzewa) has 10 deputies.

At the end of November 1989, the ZSL changed its name to the PSL "Rebirth." Three deputies, including Jan Warjan, went over to the PSL "Wilanowska." Today the Polish Peasant Party Deputies' Club numbers 71 deputies. Another club, chaired by Tadeusz Kaszubski, has a membership of four deputies and calls itself by this same name.

Today the SD club has 21 deputies. Those who departed include Anna Dynowska and Tadeusz Bien. Other clubs, the PZKS, PAX, and the UChS, have retained their

former number of members. The newest club, the Parliamentary Ecological Club, has five deputies.

Sixteen deputies are unassociated and one mandate is not filled.

**New Editor of Center Accord Daily Named**

91EP0701B Warsaw ZYCIE WARSZAWY in Polish  
24-25 Aug 91 p 2

[Article by (mdz): "New Editor of WIECZORNY EXPRESS"]

[Text]

**Andrzej Urbanski Replaces Krzysztof Czabanski****Solidarity Foundation Wishes To Become a Wealthy Concern**

(ZYCIE WARSZAWY)—On Friday a change was made in the position of editor in chief of EXPRESS WIECZORNY, as previously announced by ZYCIE WARSZAWY. Krzysztof Czabanski was replaced by Andrzej Urbanski, a journalist associated with Solidarity and organizational secretary of the Center Accord [PC].

Czabanski was designated by the Solidarity Press Foundation (which owns EXPRESS WIECZORNY) as editor in chief of the weekly KULISY, which was a part of EXPRESS WIECZORNY in recent years and performed the role of its weekend supplement.

As Krzysztof Czabanski told us, the changes at the EXPRESS are related to the new formula of the Solidarity Press Foundation, which desires to become a "wealthy publishing concern." Andrzej Urbanski, the new chief of EXPRESS WIECZORNY, does not expect that during the elections his paper will become a more political daily associated with the program line of the PC. However, Urbanski added, "This may happen if other newspapers also conduct an aggressive electoral campaign." In such a case, the EXPRESS will present "everything upon which the program of accelerated changes hinges." However, Urbanski does not expect it will have to come to this.

Krzysztof Czabanski, former chief of EXPRESS WIECZORNY, is of the opposite opinion. When asked by ZYCIE WARSZAWY whether he agreed with the decision which relieved him of his position he said that he was pleased to be appointed to the position of editor in chief of KULISY.

Today the Solidarity Press Foundation is the owner of EXPRESS WIECZORNY (and of its printing firm) and of OBSERWATOR, a guidebook for farmers. In addition, it provides a publishing service for PRZEGLAD SPORTOWY and TOP. In the near future, it plans to give aid to several publications designated for a consumer elite. In late fall it will begin publication of KULISY. All these undertakings will be based upon cooperation with foreign capital.

Today EXPRESS WIECZORNY has a daily circulation of 120,000 to 130,000 (with 20 percent returns) and a Friday circulation of 320,000-330,000 (with 12 percent returns). Half of the total circulation is sold in Warsaw. Financially, the EXPRESS teeters on the brink of profitability, although recently it has brought in a small profit.

The ambition of KULISY will be to take over the readers of the weekend supplement of EXPRESS WIECZORNY. It is to be based upon a small basic team and highly paid coworkers. Its look will probably be similar to the weekly WPROST, but it will be somewhat smaller in terms of volume.

#### **PepsiCo Foods Becomes Largest Foreign Investor**

91EP0698A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 23 Aug 91 p 1

[Article by Ada Kostrz-Kostecka: "The Largest Transaction With Foreign Capital; The Marriage of Wedel and PepsiCo"]

[Text] In keeping with tradition, the ceremony was held on 22 August in the Royal Castle in Warsaw: Janusz Lewandowski, minister of ownership transformations, handed a deposit slip in the amount of 40 percent of the shares of the ZPC [Confectionery Industry Enterprise] Wedel Ltd. to Michael Jordan, chairman of the board of PepsiCo International Foods and Beverages, who in turn handed over to the minister representing the state treasury at the time a check for \$25 million.

In this manner, nine months of negotiations were finalized, which resulted in PepsiCo Foods International [PFI] becoming the largest investor to embark on operations in Poland on the basis of the privatization law. The 140-year-old confectionery industry enterprise, which took the personal name of the son of the original owner, Emil Wedel, has a brand that is known inside the country and abroad. Their financial standing is good, and the enterprise is fully solvent and, therefore, trustworthy as a partner. Last year, the volume of production of all four plants belonging to the enterprise came to \$58 million. In December of last year, the factory was transformed into a one-person partnership of the state treasury.

Therefore, the involvement of foreign capital was not aimed at rescuing the enterprise from adversity, as was the case with some companies sold earlier, but rather creating conditions for maintaining the good name of the factory.

(This was also expressed in the appraisal of Wedel which, in the opinion of the representatives of the Ministry of Ownership Transformations, is three times higher than book entries.) In the contract signed, the American concern undertook to keep the brand and name of the company and use them on products. It also undertook to refrain from reducing the labor force for one year. The concern is also prepared to invest \$56 million in the

coming years in the development in Poland of existing production, updating marketing, streamlining the management of the enterprise, personnel training, and also building a new plant for salty snacks. These funds will be invested regardless of the input into the development of the company from its own funds. In addition, the opportunity to make use of the PepsiCo commercial network will enable Wedel to increase exports.

Chairman Jordan stated during a press conference after the signing of the agreement that they have determined Poland to be the number-one market for developing their operations in the countries of East Europe. They are proud to be doing it together with one of the best Polish enterprises. They are determined to operate as partners, and are convinced that it is necessary to enhance the standing of the company and quality of its products.

Wedel Chairman Jozef Rutkowski added that traditional products of the company—bird's milk, chocolate assortments, Wedel cakes, and halvah—will certainly be produced in greater quantities than has been the case in the past.

PFI, which purchased a share in Wedel and will be a comanager of the new joint venture, represents the international segment of the PepsiCo Inc. concern, which at the same time is one of its largest and fastest growing parts. It produces and sells more than 100 different snacks and crisps, among which Ruffles, Doritos, Cheetos, and Fritos are the best known. The board is headquartered in Dallas, whereas operations are performed at 26 enterprises in 23 countries. Last year, the sales of the company came to \$1.6 billion.

The transaction involving 40 percent of the Wedel shares made available to foreign capital marks the beginning of the sale of the company's securities. On 15 October, a public offering of a lot including 20 percent of the shares will occur. In keeping with the law, yet another 20 percent will be earmarked for employees. In turn, the state treasury will keep at its disposal the remaining 20 percent of the shares. This will be a reserve for, among other things, satisfying the claims of the heirs of the former owners of the factory, despite the fact that, as representatives of the Ministry of Ownership Transformations announced, the factory was taken over by the state in keeping with the law on nationalization, and therefore damages are not due.

#### **Harvest Yields for Certain Crops Noted**

91EP0687A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 17-18 Aug 91 p 11

[Article by Malgorzata Szyszlo: "Good Weather, Decent Yields"]

[Text] This year, agrometeorological conditions have generally been favorable for crop growing, despite the cool spring and frequently occurring ground frost.

According to preliminary estimates by the GUS [Central Office of Statistics], climatic conditions to date, primarily the pattern of thermal and moisture conditions, were exceptionally favorable for the "health" of farm crops. Despite lower consumption of insecticides, a considerably lower intensity of the incidence of diseases and pests was registered in the fields.

As the GUS estimates, a difficult situation with respect to farm incomes was a factor in declining demand for the means of production for agriculture. It is estimated that the consumption of mineral fertilizer per one hectare of agricultural land in the 1990/91 farm year came to about 95 kilograms of NPK [nitrogen, phosphorous, and potassium] and was 69 kilograms (42 percent) smaller than a year ago. Despite this, good results are expected in crop farming precisely due to favorable agrometeorological conditions.

The harvest of grain will amount to about 27.5 million tons overall, or about 0.5 million tons less than last year. Out of this, the harvest of basic grains including grain mixes will come to about 27.1 million tons, or 0.6 million tons less. The GUS estimates that the harvest of grain will increase only in the fields of agricultural circles by 1.3 percent, whereas it will be 4.1 percent smaller on state farms, 1.6 percent smaller in agricultural cooperatives, and 1.5 percent smaller on private farms.

The projected yields of winter grains in key voivodships range between 26.3 quintals per hectare in Nowy Sacz Voivodship and 50.2 quintals per hectare in Poznan Voivodship for wheat, between 21.1 quintals per hectare in Ostroleka Voivodship and 33.1 quintals per hectare in Walbrzych Voivodship for rye, between 25.1 quintals per hectare in Radom Voivodship and 47.1 quintals per hectare in Opole Voivodship for barley, and between 27.7 quintals per hectare in Ostroleka Voivodship and 46.8 quintals per hectare in Leszno Voivodship for triticale. The projected yields of spring grains likewise vary, among others, between 24.7 quintals per hectare in Nowy Sacz Voivodship and 38.9 quintals per hectare in Opole Voivodship for wheat, between 23.6 quintals per hectare in Bialystok Voivodship and 34.3 quintals per hectare in Opole Voivodship for oats, and between 24.9 quintals per hectare in Radom Voivodship and 37.7 quintals per hectare in Leszno Voivodship for grain mixes.

The GUS tentatively estimates the crop of rapeseed and agrimony to be about 1.1 million tons, or 0.1 million tons less than the small crop of last year.

The harvest of meadow grasses during the first haying, in terms of hay, came to about 6.6 million tons, and was 0.6 million tons lower than last year. It is characteristic that the share of meadows not put to economic use (not worked, or with grass cut but not gathered) increased from 3.6 percent in 1990 to 6 percent in 1991. The highest yield of the first haying was obtained in Nowy Sacz, Leszno, and Tarnow Voivodships, and the lowest in Szczecin, Zielona Gora, and Suwalki Voivodships.

The area of potato fields decreased. This year, 1,759 [as published] hectares were planted in potatoes, or 76,000 hectares fewer than in last year. The condition of the fields is the same as last year. The same is the case with sugar beets.

The production of open-ground vegetables will come to about 5.4 million tons, and will be 1 percent higher than last year. The GUS estimates that the cabbage crop will be about 3 percent higher—1,800,000 tons. The cauliflower crop will come to about 240,000 tons, or more than 7 percent higher than last year. The crop of onions, estimated to be 530,000 tons, will be about 7 percent smaller than last year. However, there will be about 11 percent more cucumbers—430,000 tons. The tomato crop will be close to last year's—420,000 tons. The crop of table carrots and red beets will be somewhat smaller than the exceptionally large crop of last year, and will come to about 800,000 and about 480,000 tons respectively. The crop of asparagus beans and peas promises to be good.

The combined crop of fruits will come to about 2 million tons, and will be about 0.5 million tons larger than the last year's small crop, but in comparison to the years 1988 and 1989, the crop will be about 0.2 or 0.1 million tons smaller. The output of fruits growing on trees will amount to about 1.5 million tons, and will be about 52 percent higher than last year, including 60 percent more apples, 31.9 percent more pears, and 60.5 percent more cherries. However, there will be fewer plums.

The crop of berries will be more than 8 percent larger than last year, and will come to about 473,000 tons. This includes strawberries, which account for more than one-half of the output of berries, of which about 242,000 tons will be harvested, or 0.3 percent more than last year. There will be about 32,000 tons of raspberries, or 12.4 percent more; about 155,000 tons of currants, or 18.9 percent more; about 40,000 tons of gooseberries, or 15 percent more.

### Reasons Given for Housing Construction Delays

91EP0687A Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 17-18 Aug 91 p 1

[Article by Malgorzata Szyszlo: "The Homeless About Apartments and Politics; How To Get Construction Off the Ground"]

[Text] "Almost 1.5 million independent households have no independent apartments. In addition, 400,000 dwellings need to be torn down because their engineering condition endangers the lives of residents. These are only the current housing needs," said Roman Nowicki from the Union of the Homeless at a meeting with journalists on 16 August. In addition, we need to take into account the fact that 1 million young couples will likely get married before the end of this century. Despite the fact that some of them will not put themselves on a waiting list for their own apartment for various reasons, the issue of a housing shortage will continue to mount, of course,

unless decisions are made, and actions that promote development are taken quickly.

The performance of construction this year in terms of the apartments commissioned does not inspire optimism. A total of 62,936 apartments have been commissioned, or little more (2 percent) than during the corresponding period of last year. This includes a 14.6-percent drop in the scope of private construction. Only 16,373 apartments have been added. The number of housing starts has declined. In the opinion of the Union of the Homeless, the main reasons for a slowdown in the development of the housing sector are as follows: the absence of a proper system for financing and loan provision, a shortage of lots for construction, and consequently, the lack of orders for contractor enterprises.

R. Nowicki said: "We believe that all of these problems may be solved, even in this very difficult economic situation. Many countries have shown that the development of housing construction is precisely one possible way to overcome an economic crisis. However, first you need to invest in housing construction and provide an opportunity for development."

As far as credit is concerned, we may, for example, use the German experience of the so-called Sparkasse, which provided financial aid for people of modest means. Securing Western credit directly for investors and contractor enterprises is another opportunity. These credits have a low rate of interest, on the order of eight to 12 percent, which would make it possible to build cheaply using domestic materials and technologies.

As far as land is concerned, there are tremendous reserves. Large housing cooperatives hold on to lots obtained years ago and build nothing on them, whereas those who indeed want to build quickly do not have a place to build. R. Nowicki cited the example of Warsaw. Sizable areas within the city limits are used for farming. Products from them are contaminated with, among other, lead compounds. Therefore, would it not be better to sell this land for construction, especially given that amenities are available on most of these lots? He also said that the company he heads sent an offer to all gminas in Warsaw and vicinity that it can build cheap subdivisions fast, provided an area is assigned. He said that the availability of financing was guaranteed, whereas the cost of one square meter would have amounted to 2 million zlotys. Only two gminas responded, and both of them in the negative. In addition, 17,000 apartments are used in the capital city for various offices and establishments. After all, said Nowicki, an opportunity to build their own premises may be provided for these companies, with apartments being sold to the people. These are reserves which do not call for considerable outlays.

Something else about the needs for housing. Very soon, the very acute problem of repatriating Poles from the Soviet Union, people who have survived the nightmare

of camps and prisons, will recur. It would be difficult to refuse to help them with the allocation of an apartment.

The Union of the Homeless desires to be apolitical. It has resolved that during the forthcoming election, support for a given group will hinge on the program for housing construction outlined by it. As journalists were told, the union had approached various parties and election coalitions, among others, the Democratic Union, the Center Accord, the Liberal-Democratic Congress, the Social-Democrats of the Republic of Poland, the Union of the Democratic Left, and Labor Solidarity. Complete and credible information has only been received from the Union of the [Democratic] Left and Labor Solidarity. In view of this, the National Council of the Union of the Homeless has resolved to support the candidates of the broadly interpreted left for deputies and senators in the course of the election campaign. At the same time, it has allowed for an opportunity to enter into other local election agreements if candidates of the left fail to outline credible housing programs. R. Nowicki stated that he would not be a candidate for the Sejm.

#### **Earning Capacity of Coal Mines Profiled**

91EP0687B Warsaw *RZECZPOSPOLITA (ECONOMY AND LAW supplement)* in Polish 17-18 Aug 91 p II

[Article by Katarzyna Jedrzejewska: "Costs Grow Faster Than Prices; Why Is Coal Expensive?"]

[Text] Coal prices continue to grow, but despite this, the financial standing of mines continues to deteriorate. This is one of the conclusions drawn from NIK [Supreme Chamber of Control] inspections. Many factors contribute to this. In general, in 1989 through 1990, the share of sales in financing outlays for production increased from 47 to 70 percent. It is easy to surmise that this was primarily due to a 9-fold increase in the average coal prices. Therefore, despite coal sales diminishing in terms of quantity, the volume of sales increased by a factor of 7.6. However, this does not mean greater benefits for mines.

The overall gross profit margin of the mines dropped from 8 percent in 1989 to 7.2 percent in 1990. In 1989 and 1990, the annual output of coal diminished by about 17 percent (from 177 to 147 million tons). During the same period, specific costs of coal sales increased by a factor of 4.5, and in the first quarter of this year—by another 62 percent. This was primarily the result of growing property insurance rates, amortization, rent payments, and energy [costs].

Payments for environmental pollution were added this year. However, these were not the decisive factors in the growth of specific costs. Material consumption and labor were of decisive significance. They accounted for almost 50 percent of the total combined increment of self-cost. As the NIK inspection suggests, consumption of materials decreased, but the cost of materials grew. Many of the materials used in mines are supplied by producers whose position in the market is that of a monopoly. For

example, the Pstrowski mine looked for another supplier of filling sand. However, this turned out to be impossible because only the supplier to date, the Kotlarnia Sand Pit, has a narrow gauge line for sand. The Grodziec mine had to continue buying conveyor belts from the Mining Rubber Goods Enterprise because only this producer met fire safety requirements.

Many enterprises took advantage of their dominant position in the mining market and solved their own financial problems by increasing prices for their goods and services. For example, the Mining Machinery and Equipment Plant Famur in Katowice, which is the only producer of combined cutter loaders for longwalls in the country, offset declining production by increasing prices for its products by 8 to 10 percent on the average, due to which its profit margin came to 76 percent in 1990. The average price of a ton of powered support produced by the Powered Support Plant Fazos in Tarnowskie Gory increased by a factor of almost 12 in 1990. Meanwhile, prices in the machine building industry increased by a factor of "merely" 6.5. As a result, Fazos registered an increase in its profit margin from 32 percent in 1989 to 75 percent in 1990.

In the years 1989 through 1990, the payment situation of the mines deteriorated considerably. In 1988, amounts due exceeded their obligations to suppliers and contractors by a factor of more than two, whereas by the end of 1990, this statistic came to only 0.9. In the process, the situation of individual mines varied, and in some cases it was worse than average. In the Jan Kanty mine, amounts due accounted only for 18 percent of amounts payable. However, in the Zofiowka mine, the ratio of amounts payable to amounts due was very high and amounted to 163 percent.

Improvements in these ratios or their deterioration frequently had nothing to do with the performance of the mines. For example, in the Murcki mine, the ratio of amounts payable to amounts due declined, despite improvements in coal sales.

In 1990, still more factors appeared offsetting the benefits which the mines secured by virtue of the growth of the value of the coal sales. The income tax increased by a factor of almost 40, and the dividend collected by a factor of 87. As a result, the gross profit was 416 billion zlotys lower than payments by virtue of the profit tax, tax on the growth of remunerations, and dividends.

In the fourth quarter of 1991, the financial performance of mines deteriorated, despite the growth rate of sales remaining high due to growing prices. Balance sheet losses for this period were as high as 867 billion zlotys. However, at the same time, the situation of individual mines varied. In the Janina, Kleofas, and Rydułtowy mines, profits amounted to 40, 27, and 17 billion zlotys respectively, whereas the Bogdanka, Krupinski, and Slask mines registered losses of 56, 53, and 50 billion zlotys, respectively.

Between 1989 and 1991, the negative balance of extraordinary losses and windfall profits increased by a factor of almost 40 (from 13 billion zlotys to 546 billion zlotys). Interest on the late payment of invoices, losses on liquidating fixed assets which were not fully amortized, and consequences of failing to meet obligations to the budget, the banks, and so on, influenced the emergence of the extraordinary losses the most.

Most of the factors mentioned above were external in nature. However, the mines themselves also failed to manage their assets properly. The stock of materials and nondurables increased by 285 percent in 1990, and by another 46 percent in the first quarter of this year. This may be attributed in part to the growth of prices for materials. However, in many cases the purchases made were simply incommensurate with the need. The scale of investment projects undertaken by mines frequently exceeded the potential for financing them.

Other factors also influenced the deterioration of the economic and financial situation of the mines, including a reduction of product-specific subsidies, a decline in the profitability of coal exports, and irregularities in financial management, which developed as a result of abolishing the Hard Coal Association.



**Bavcar on Nationalism, Police, Danger of War**

*91BA1162A Belgrade NIN in Serbo-Croatian 13 Sep 91  
pp 30-31*

[Interview with Igor Bavcar, Slovene minister of internal affairs, by Vojo Lukic; place and date not given: "We Are Bugging Telephones, Too"]

[Text] [Lukic] Mr. Bavcar, are you really going to be the new Slovene prime minister? There is quite a bit of talk about that in Slovenia.

[Bavcar] No. There really has been talk about that after the proposal made in the DEMOS Council by Janez Jansa. DEMOS split on that issue, three of its parties supporting the proposal, while three rejected it. Work is now being done on a new plan for reorganizing the government, which is supposed to be more efficient, with a smaller number of ministers, etc.

[Lukic] They say that you have made major changes in the personnel of the Slovene police.

[Bavcar] It depends on what we mean by "major." There were not so very many changes involving key positions in the ministry. So it was more a question of the quality than the quantity of the changes. The Slovene police is headed by new people, some of them people from the police system, some of them from outside. Among the dozen people there are three Ph.D.'s and several with master's degrees, and all the rest are university graduates. This is a relatively young team, ambitious, well trained, and competent.

[Lukic] How would you define an effective police force?

[Bavcar] Widely varying criteria are current concerning the effectiveness of a police force, and this is especially true of the public attitude toward the police. It is well known that the police are often to blame for "everything" which is not right. This attitude toward the police is typical of a society in which the police have frequently had unlimited opportunities to intervene in society, when they did not have to justify their actions, when even the system for solving problems which could not be solved by the police was a police-oriented system. For me, an effective police force is a well-trained and competent police force, well equipped, with a highly developed information system that is connected to the international security system, one that is subject to parliamentary oversight and is clearly limited in its powers by law. A police that is effective must know how to display its competence under those conditions. The Slovene police come very close to meeting those criteria.

[Lukic] What has your collaboration been like with your counterparts in the SFRY?

[Bavcar] Poor and below what is necessary. Yugoslavia, although we are leaving it once and for all, is a space which from the security standpoint has been influencing the situation in Slovenia for decades now. Several very heavily traveled routes for smuggling drugs, arms, and

expensive cars cross Yugoslavia into Slovenia and Slovenia into Croatia, there are well-known channels for emigres, and so on. Collaboration ought to be greater on purely pragmatic grounds. But you are familiar with the situation and you know that collaboration, say, with Federal police units, which came together with the Yugoslav Army to close our border, could not really be on a high level. Likewise, the other police forces are preoccupied with their own worries and are thinking above all about their own problems.

[Lukic] It is said that there exist even two secret police forces in Slovenia. That is at least what the newspapers are writing. To what does this refer?

[Bavcar] When it comes to such delicate departments, which have great power in spite of the parliamentary oversight that exists in Slovenia, it is always a good thing to have a second such department in addition to the first one, so that at least they can check one another. But there is nothing new in that. There is the VIS [Security Information Service] department in the Ministry of Internal Affairs and there is the security arm of the Defense Ministry, which also existed in the previous regime and was directed by professional officers in the Yugoslav Army. It is now being run by our people, and they are concerned above all with the security of Slovene military forces, not with civilian society.

[Lukic] What is your comment on the withdrawal of the YPA [Yugoslav People's Army] from Slovenia?

[Bavcar] This is a decision which was the only one the Army could make, and it was a very wise move from their standpoint. Its forces in Slovenia had been so weakened in the war that they could no longer be seriously counted on, nor was it possible to count on new forces, because we did not permit that, not only in political terms, because of the Brioni Agreement, but also in fact, because of the alignment of forces. It was at that time that another scenario began to play out in Croatia, where the YPA opened a second front by openly entering the Chetnik formation. So, the process of its disintegration, which began in Slovenia, would have spread very quickly to other areas as well. And thus the decision was made to leave. Which means that we are dealing with pure calculation, nothing benevolent.

[Lukic] Are telephones being bugged today in Slovenia?

[Bavcar] Yes.

[Lukic] Who approves that bugging?

[Bavcar] A court, and that has been the case for several months, ever since we proposed to the parliament an amendment on the law on internal affairs which newly defines protection of civil rights and the powers of the VIS secret service. The police cannot do anything on their own.

[Lukic] Are the telephones of the leading Slovene politicians being bugged? For example, is it possible that someone might eavesdrop on you when you make a telephone call from home?

[Bavcar] The telephones of the leading Slovene politicians are not being bugged by the VIS and the Ministry of Internal Affairs, which are the only ones that have legal authority to do that. But modern technology has progressed so far in this area that it is not impossible that someone else is eavesdropping, indeed even bugging my phone. When we captured one of the eavesdropping centers of the Army at Roznik, near Ljubljana, during the war, we found very interesting tapes and data on almost all the leading Slovene politicians.

[Lukic] It is being said in the press that Janez Jansa has declared that nuclear weapons were even located in Slovenia.

[Bavcar] Judging by the way the Army leaving Slovenia carefully destroyed certain storage facilities, leveling them to the ground—for example, the storage facility at Crni Vrh, according to certain reports we have, and that is what Minister Jansa is referring to—it is very likely that this actually had to do with destroying a facility for storing conventional nuclear weapons, above all artillery shells.

[Lukic] Very strong nepotism has prevailed in Slovenia for years. For example, a father and son both politicians, a father and son both newspapermen, and so on. It has been said that three or four families have been running Slovenia. The names of those families are well known.

[Bavcar] Yes, they are well known. The story is often told, in fact it is even published, who is whose grandson, who is whose aunt or mother-in-law. This "quite a family business" [preceding words in English] lasted quite a long time after the war, and the names Macek, Kraigher, Kardelj, and others are well known from that period.

[Lukic] The sons of former communist leaders in Slovenia are trying today to get into Slovenia's top-level politics. Must we always encounter the same last names in Slovene political life?

[Bavcar] You are exaggerating a bit, in the end there are not so very many of those names, and it is a different matter if they were well known before. In Slovene politics, new names have definitely become prominent. One needs only to look at the monthly rating of politicians, and you will see who these people are. It is true that there are some from the previous regime, but a majority are new ones. It is not all bad that there should be some old names. This is indication that the transition to something new is nevertheless generated by things that go back a bit into the past and have not arisen just since last year's elections. There is no difficulty in acknowledging that, because those are facts, and because that kind of democracy is more to my liking than the one in which we encounter an absolute superiority of one political line or party, as is the case in Serbia or Croatia.

[Lukic] Are there political prisoners in Slovenia?

[Bavcar] No.

[Lukic] It is said that Slovene nationalism, indeed even chauvinism, is becoming disturbingly strong. Is there a threat today to people who are not Slovenes by nationality, but live in Slovenia?

[Bavcar] That is a topic for yellow journalism, above all for certain Belgrade newsmen. Although they have been trying persistently to prove that such a threat exists, they have been unable to prove that thesis except for some fabricated examples and a few cases which I do not deny. First of all, nothing is happening in Slovenia that is atypical of that period of joint life in Yugoslavia—which means that there is some nationalism, but it is far less than, say, Serbian or Croatian nationalism. During the entire time of the war here, you never heard anything on Slovene television or in the Slovene media such as is occurring daily in the reports of the belligerents in Croatia. It never would have occurred to any of our politicians to utter a statement similar to the one about there never being more Serbs than the Croats can slaughter and never so many Ustashi that the Serbs cannot kill them. Yet with my own ears I have heard those statements made by politicians there.

[Lukic] Has Slovenia managed to avoid the danger of war?

[Bavcar] No. For several reasons: First of all, there is the danger that the conflicts will spread to Slovenia if they approach the Croat-Slovene border; second, there are indications of a desire for revenge on the part of the Yugoslav Army; third, a not altogether impossible variant, it is even possible that a renewed attack will be made on Slovenia according to the plan to which we have given the working title "Fortress 2." There are reasons for something like that. I will mention only one: It is well known that Serbia is openly playing around with those Italian circles which on several occasions have publicly shown an interest in Istria. Istria is a region which is being openly offered to the Italians for various services in return, and they would like to count on an uncontrolled disintegration of Yugoslavia. Using the forces of General Cad's 13th Corps, which was praised for its effectiveness in its actions against Slovenia during this war, they expect to cut off Istria from Slovenia and Croatia, and effective authority over that Slovenian-Croat territory would be in jeopardy. That would be a very good starting point for further negotiations, would it not? Do not think that there are not such appetites in Italy. In the context of statements about "post-Osimo Italy," room can quickly be found for changes of borders that is not being spoken about for the present. But I think that our actions, even against the 13th Corps, I am thinking of the action in Rozna Dolina near Nova Gorica, say, have shown to both those dreaming up such plans and those counting on them that we know how to defend ourselves.

**Bucar for Reorganization of Republican Administration**

*91BA1067C Ljubljana DELO in Slovene 17 Aug 91  
p 23*

[Article by Slovene Assembly President France Bucar: "It Is Necessary To Reorganize the Republic Administration"]

[Text] Slovenia is faced with some extremely urgent tasks that represent a direct challenge to its independence: It will have to develop its ability, which has attenuated to the point of simply being a filigree, to obtain international recognition in Europe, which is not favorably inclined toward Slovenia's independence, at least on the diplomatic level; it will have to ensure its ability to conduct business in international financial transactions, which will be under extraordinary pressure and attempted blockade by Markovic's government and the Yugoslav National Bank; it will have to ensure the national economy's ability to function, which is losing its former Yugoslav markets but at the same time is not capable of competing equally in the demanding Western markets. This exposes it to the danger of economic stagnation, mass unemployment, continuous bankruptcies, and the social conflicts resulting from them, which can lead to the paralysis of all organized social life. We will need financial and monetary independence, for which we have neither the necessary foreign exchange reserves, nor a healthy economy that would guarantee the solidity of the new monetary currency that we would introduce; we need a complete reorganization of the economic system and ownership, for which we have neither the necessary legal foundations, nor the necessary unanimity in our views on how to achieve it—not to mention the social and psychological problems that are associated with it and that require more long-term solutions.

Understandably, at least those who are the slightest bit aware of the acuteness and immediacy of these issues are necessarily wondering whether we are even equipped to solve these problems, which are so urgent.

The answer is certainly not just an unambiguous one, because the issues involved in this are extremely complicated and dependent upon a whole series of different factors—and to a great extent upon political consistency between the present composition of the political structure—reflected primarily in the Republic Assembly—and the actual intermingling of the objective and subjectively perceived interests of Slovenia's population. We may have different assumptions and beliefs about this, but an answer is only possible through a completely new verification of the people's will. Consequently, we cannot determine this certainly exceptional and crucial area of the political formation of the people's will in this regard without new elections, which would truly reflect the opinions, convictions, and possibly also the mistaken ideas or only the beautiful wishes of the voters.

Even if the answer to the question thus stated is still so important and to some extent even decisive, it is also nevertheless a question of the organization of the state administration, and primarily of its ability, which is of decisive importance as to whether we will be able to respond successfully to the challenges stated above. Regardless of what kind of will is expressed and how it is expressed, at the level of the highest representative body, i.e., the Republic Assembly as the body exercising the highest legislative authority, there still remains the question of whether we have the necessary instrument available to carry out that will and actually implement that will in real life—and consequently, whether we have the necessary state administration as an executive apparatus through which we are also able to carry out that task. The state's will is directly reflected in the implementation of its decisions, and therefore through the state administrative apparatus. The latter's role is like the tongs in a smith's hands. If that "smith" does not have the appropriate "tongs," there is no point in discussing his "highest will" and the suitability and ability of the highest state bodies to come to grips with the challenge of such urgent tasks as the ones now facing the new Slovene state.

The answer is very clear and unambiguous. We do not have that kind of state apparatus, including its highest summit—the Slovene Executive Council. That is why the answer to the challenge presented is not first of all, and especially not only, in personnel assignments and in the distribution of individual administrative fields. Those assignments are only a consequence of the unsuitability of the Executive Council, which is organized in such a way, and of the entire state administration.

The present state administration, including the Executive Council, is organized in the way that was appropriate for the former real-socialist system. That form of organization was consistent with that regime's views of its role in managing social life, and that form of organization has also remained under the conditions of the present democratic authorities. It represents a fundamental contradiction and also a certain paralysis of the present system: To carry out its tasks it has in its hands an apparatus that was formed and put together from completely different starting points and is intended for completely different purposes.

There are several conceptual starting points that have proven in practice to be inappropriate—regardless of their future theoretical untenability.

Among the foremost of these is the assumption that the highest will, i.e., decisionmaking, is formulated at the top of the state pyramid, and all the other levels in the state structure only work out in detail the will that was formulated at the top, from the Executive Council on down to the last official who issues any administrative decision. It is from that mistaken initial assumption that all the others follow: the strictly hierarchical system of the entire state administration and the complete lack of independence at all levels of decisionmaking. Creativity

is not only impossible, but also unwanted, because it would mean a departure from the will expressed at the top. That is why officialdom that is primarily obedient will not be creative or even show any self-initiative. There is no interest in any feedback, because their attention is focused only on whether the tasks from the top are being completely carried out. That is also why executive tasks and official positions are dispersed as widely as possible, because this provides more assurance that the tasks will actually be carried out; greater and more direct control is possible, etc. Perhaps that system has been most fully expressed at the level of the Executive Council (not the government!). The government, in fact, is not only a direct executive body, as the Executive Council is supposed to be (that is why its name is not coincidental), but also the highest level in executive decisionmaking, because policy is also formulated. According to administrative theory, in carrying out their tasks every lower level not only works out in detail what was decided at a higher level, but also adds new ingredients, both in values and in judgments of the actual situation. With the concept of real-socialist administration, however, the Executive Council should not formulate its own policies. Policy is formulated above it. Along with this there is the assumption of the omnipotence of the supreme political elite in the party, which finally decides everything. The Parliament's task is only to give the form of legislative will to what has already been decided above the Parliament, and the Executive Council turns that will into operational decisions without any additions of its own. That is a concept of administration that in its efficiency, according to theory, has acquired the name "the impotence of omnipotence," the most detailed possible dispersion in the largest possible number of administrative areas: Every major administrative task is also supposed to get its own ministry. The larger the number of ministries, the greater the possibility of control, and the greater the possibility of directly managing every individual matter.

With all of this, things are very simple. The administration, including the Executive Council, is not coping with the complexity of its tasks. The problems of complexity, to the extent that they are even acknowledged, are furthermore indicated at the level of the highest decisionmaking in the political leadership.

They reach the Executive Council in a refined form already, because they are transformed in the political leadership. Since the complexity arising from real life is not consistent with the directives provided from above, the task of the executive bodies, furthermore, is to suppress that real complexity with inexorable decisiveness and make it harmonize with the directives. The world is not the way it is in reality, but rather as it is seen by the political leadership through its ideological glasses. The Executive Council's function is primarily to try to turn that simplified and distorted picture of the world into reality by the force of its operational decisionmaking. Its role is therefore not a politically conceptual one.

In this respect, things are very simple for it. Its emphasis is on operational impact, i.e., "not philosophy, but decisiveness."

This is the fundamental problem of the Executive Council, which is not the government. The government has to be organized in such a way that it is capable of coping with the complexity of the real world, but the Executive Council is exactly the opposite. That is why the government is characterized primarily by integrative capability, and the Executive Council by operational differentiation. The integrative function, however, is not just summing up and combining various more detailed tasks into one joint one, but is rather the formation of a completely new quality that has only emerged at that higher level. Only that is the object of decisionmaking in the government. That is why completely different qualities are needed in the personnel aspect than those that are needed for operational tasks.

Consequently, that essential integrative function simply does not exist in the present Executive Council, and that new quality of decisionmaking at the higher level simply does not exist. This is the fundamental difficulty and even contradiction. The complexity of the modern world is increasing more and more, but the Executive Council is not only not equipped to cope with it, but is not even organized to be able to do so. This complexity is not just a consequence of the constantly growing systemic integration of the world, but also a consequence of our attitude toward it. In a democracy and market economy there are thousands upon thousands of independent actors whose activity meets and combines in very different ways, and part of that task also falls to the government. For the Executive Council, the world is divided (conceptually) into individual fields. That is why the extremely large number of members of the Executive Council and the administrative agencies is not just a consequence of bureaucratic growth, which is after all a characteristic of every bureaucratic system, but also a logical consequence of its view of the world and concept of how we can master it (a mistaken one, of course!).

Thus, for example, it is not by chance that the Executive Council cannot master the economy in an integrative manner. It is not organized for that task. And that is why we still do not have any more or less undisputed analysis, for instance, of what the current state of our economy even is. We also do not have any objective diagnosis, and without an objective diagnosis it is not possible to predict a future situation, much less prepare measures to cope with that future situation. That is why it is quite understandable that alarming warnings are constantly being spread among the public and in the Assembly that it will all be over for us at any time, and that it is necessary to take urgent measures. Perhaps, perhaps not. We are only sensing it, and reaching conclusions from individual cases which we then generalize without the necessary analysis; and we do not have the real picture. That is also why we do not have any more long-term policy. Furthermore, the Assembly can approve it and compare it to the presumed will of the voters through the

elected deputies; it cannot substitute for it. Thus, at the higher level we also do not have any coordinated social, educational, cultural, scientific policy, etc.

In short, I hope to venture the assertion that with the way that the Executive Council and the state administration as a whole are organized at present, we will not be able to cope with the anticipated tasks.

Here, to be sure, we are only analyzing the issues of organization and working methods at the level of the Executive Council. The problem at the base is similar, except that because of the present communal system it is even more complicated and inappropriately set up throughout the entire administration. Unfortunately, we cannot go into the entire complexity and extent of this issue here, or into a whole series of additional absurdities that are derived from the former organizational concept (such as, for example, the complete lack of standards as to what can be an administrative agency and what cannot, the vagueness in distinguishing between someone with administrative authority and professional activity, and thus between an administrative body and an administrative organization, etc.), not to mention the particular absurdity of the so-called joint services, self-management in public administration, and similar absurdities from the hotbed of real socialism.

Consequently, the question that we are dealing with at the level of the Executive Council is not just whether we should have several more or several fewer administrative agencies, which is where the discussion usually ends. It has to do with the fact that we are increasingly equating the Executive Council with the government, in its internal organization, even if we keep the present name specified in the Constitution, and especially in its working methods—and the fact that in doing so we still remain within the framework of the present constitutional definitions.

The present Executive Council, by virtue of its size, is not controllable, since it is already almost a sort of miniparliament (a president, three vice presidents, and 22 ministers!). ("Poor and undeveloped" Switzerland has only seven or eight of them.) The president cannot carry out the necessary coordination with such dispersion, nor can he be suitably informed so that he can make decisions about things that only he can decide on. Above all, what he is supposed to coordinate and what the government's joint policy is supposed to be based on is not being formulated at all. That is also the reason for the constant short circuits between the Assembly and the Executive Council, in regard to which one cannot deny the justice of the criticism, especially by the opposition, in spite of its frequent exaggeration.

There is no rule in organizational theory which can be used with objective precision to determine what can be the area of a certain administrative agency. Nevertheless, it has to include all those related matters on the basis of which an internally consistent policy can be formulated. The prior integration that is needed for

additional coordination at the level of the government must already be done at the top of an administrative agency. The minister who is at the top of a government agency must therefore be primarily an integrator, a politician who sets the tone and general direction for his ministry, and not an expert and executor. Consequently, the government will always be a political body, and not an expert one. Because the minister will be politically responsible for his ministry, he will understandably strive in his own interest to choose the most expert possible colleagues to work on an operational level. Consequently, most of what is in the Executive Council today will thus drop out of the circle of political-party negotiations and move from the circle of politics to the circle of expertise. The state mechanism should operate like a well-oiled machine regardless of how governments are replaced.

And if we also take into account Parkinson's well-known law about the manageability of a collective body, the number of ministries will necessarily range around 10, a few more or less. It is not possible to agree with arbitrarily setting that number without clearly defined standards. The problems are simply too serious for us to be satisfied with the individual makeshifts that are being proposed and in part are already being adopted.

#### **Denationalization, Government Reorganization Poll**

*91BA1102A Ljubljana DELO in Slovene 31 Aug 91  
pp 1, 3*

[Article by Jana Taskar: "The Public on Denationalization: Slovenes Favor a Smaller Government, but It Should Be Headed by L. Peterle"]

[Text] Ljubljana, 30 Aug—In a pilot telephone survey at this time, we asked telephone subscribers several current political questions. One of them, which has considerably agitated the Slovene public, is denationalization, which obviously has many advocates. Among 700 randomly chosen telephone subscribers, 506 participated in the poll, which on this occasion as well was conducted by DELO's agency STIK (34 of them refused to cooperate and 160 were unreachable). Among the 47 percent in favor of denationalization, 71 individuals (14 percent) decided in favor of it because it would right old wrongs, 35 (6.5 percent) because it would settle the question of ownership, and 132 (26.1 percent) because we have to respect legal order if we want to join Europe. There were 25.7 percent of those polled opposed to denationalization: 81 (16 percent) because it would cause new wrongs and 49 (9.7 percent) because we have to deal with other more important issues. There were 45 of those polled (8.9 percent) who did not even know about denationalization, 86 (17 percent) of them did not know how to answer, and the remaining seven added their own answers, for instance, that the proposal should be modified or only partly supported.



Among the current questions that we asked our interlocutors in this pilot telephone survey of randomly chosen telephone subscribers, there was also one about which foreign country would be the first to recognize Slovenia.

About 65.8 percent, or 333 of the participants, expect that Austria will be the first to grant Slovenia international recognition, 71 (14 percent) expect that Germany will do it first, and 14 (2.8 percent) expect that it will be the Scandinavian countries. Only two thought that recognition is not important at all, 19 that no one would recognize us for several more months, 29 did not know how to answer, and the rest stated that we could be recognized first by the Baltic countries, and Italy, Hungary, Lithuania, Australia, France, several together, the European Community, etc.

We concentrated the next questions on the announced and proposed changes in the Slovene government. It is not too long since Janez Jansa proposed the replacement of Lojze Peterle. What do our respondents think of that? About 51.9 percent of them are against his replacement, 155 (30.6 percent) because the government is working well, and 108 (21.3 percent) because it would cause unnecessary disunity. His replacement was supported by 28.3 percent, 62 individuals (12.3 percent) because the present government has not done its work well, and 81 (16 percent) because we need a strong figure during the period of gaining independence. Two individuals answered that Peterle was good, but not the government, one said that the entire government should be replaced, and one that it would be as the majority wanted it, and the remaining 96 did not answer this question.

We gave our interlocutors the names of some persons about whom it is being said that they could hold the office of prime minister. The convincingly largest support for a possible candidacy for that position was received by Dr. Janez Drnovsek; 89 of 143 supported him (this question, in fact, was only answered by those who supported replacement of the present prime minister). Jelko Kacin was supported by 16 of those polled, and also among those who could replace Lojze Peterle were Igor Bavcar, Janez Jansa, Zivko Pregl, and Emil Milan Pinter.

Demos is proposing a reduction in the number of ministers in the government (from the present 22 to 14). We asked those polled whether they supported this proposal. About 77 percent approved of this, 229 (45.3 percent) with the proposal that there should be at most 14 ministers, and 162 (32 percent) who thought that there should be at most 10. No change in the situation was chosen by 40 (7.9 percent) of those polled, 63 (12.5 percent) did not answer, and the rest gave different answers, for instance, that there should be fewer than 20 ministers, fewer than 18, fewer than 16, etc.

## Report on Slovene Diplomatic Missions Abroad

91BA1102B Ljubljana DELO in Slovene 31 Aug 91  
p 21

[Article by Darijan Kosir: "Probably 12 'Ambassadors' by the End of the Year"—first paragraph is DELO introduction]

[Text] At the moment when Dr. Ernest Petric successfully endured an "inquiry" (a sort of "interrogation") before the Assembly's commission on international relations and was also formally confirmed as the first head of an office of the Slovene Republic abroad (in the United States), it began: Slovenia has obtained the first pillar of its future diplomatic and consular network. The Foreign Ministry says that similar proceedings will be held at least 10 more times before the end of the year.

In fact, on Gregoriceva Street they have already prepared a "timetable" for opening the Slovene Republic's offices abroad. Thus, three of Slovenia's offices have essentially already been opened abroad, namely in Vienna, Luxembourg, and London, which were "converted" into offices from already existing representations of the Slovene government, which has been represented so far (and still is) by Karl Smolle, Franc Zlatko Dreu, and Keith Miles. It will only be necessary to find new personnel solutions for these offices, whereas the offices as such already exist. That is why a proposal is already going through the procedure (through the Foreign Ministry, the Assembly's commission on international relations, the government, and the president of the Presidency) for opening 10 more offices of the Republic of Slovenia abroad, namely in Belgrade, Zagreb, Washington (the procedure ended with the appointment of Dr. Petric as head of the office), Rome, Bonn, Budapest, Paris, Strasbourg, and Tel Aviv. Thus, Slovenia should have at least 12 offices abroad at the beginning of next year, and then an effort will be made to expand this network, first of all to 18, while the maximum variant provides for a total of 35 of the Slovene Republic's offices abroad. For this introduction, we should state why we are using the word "office": In the first place, among the transitional articles in the Law on Foreign Affairs, the Republic of Slovenia can, "until the establishment of diplomatic and consular relations with the host country, open in that country an office of the Republic of Slovenia," which means that these offices in individual countries will be at the level of offices up until Slovenia is recognized and diplomatic relations are established with the individual countries, when these offices will become missions and consulates and their heads will become ambassadors and consuls.

With Dr. Petric's appointment to the position of head of Slovenia's office in Washington, what is possibly the most interesting question has also arisen, namely (in the first place) the behind-the-scene selection of directors and staff for these offices (for the time being, there are supposed to be two people in each office); in connection



with this, (in the second place) the question of integrating Slovene personnel who are now representing Yugoslavia abroad (i.e., serving in the Federal Secretariat for Foreign Affairs) into the Slovene "diplomatic" service.

There are no particular secrets in this area. When we asked Deputy Foreign Minister Zoran Thaler about this, he first made it known, to be sure, that we would probably "not be satisfied" with his information on this, but then nevertheless listed several names that would be considered (conditionally) for service in the Slovene diplomatic service. It is true that he did not want to assign individual people to specific places; he only listed the names of the top choices who had already gone through initial screening in the parties and in interparty coordination. However, "who is to be assigned where will be clear to those who are familiar with the individual candidates and their previous activity and international associations," Thaler stated. Consequently, the top choices for future Slovene ambassadors are Marko Kosin, Boris Frlec, Ivo Vajgl, Zvone Dragan, Ignac Golob, Andrej Novak, Lojze Socan, Marijan Majcen, Stefan Korosec, and Matjaz Sinkovec. There is one more addition for large-scale personnel maneuvering: Paris, after this list, is still free. In addition to this, several Slovene enterprises will continue to perform certain tasks for the Slovene government through their representations (in Moscow, where Ivan Gole of Slovenjales is a government representative, and in Prague, where it is represented by Stefan Loncner of Ljubljanska Banka, and of course, in Brussels, likewise in cooperation with Ljubljanska Banka).

Without giving away any secrets or violating any agreement with Zoran Thaler, we can say—because we obtained this information from numerous sources—that at least two candidates are known: At the session of the Assembly's commission for international relations, where Dr. Ernest Petric had to "defend himself" with his diplomatic knowledge before the "jury," it was stated that one of the next candidates for a similar talk was Matjaz Sinkovec, who would be called before his departure for London. Some deputies also told the author of these lines that the present consul general in Celovec, Marijan Majcen, would become the head of the office in Vienna, where his assistant would be our fellow journalist Bojan Grobovsek.

Essentially, there were not any particular difficulties with this list of names. According to Thaler, they had to show "Slovene pragmatism" in doing this, and use the "existing human resources" and their "skilled diplomacies" [preceding two words in English] (diplomatic skills) for Slovenia's needs. Perhaps many people will be surprised that the candidates include some (or even many) prominent people from the previous regime, or ones who have never known how to sell Slovene interests very well. Such doubts have also been shown by the parties that had an opportunity to influence the composition of the above list of candidates: It turned out later, however, that better and more experienced, and politically

"purer" people—as many like to put it—simply do not exist, and they have to be satisfied with those that have been offered. The most controversial candidates were Ivo Vajgl and Zvone Dragan, but now their candidacy has already been accepted, although with reservations.

Thus, essentially, Dr. Ernest Petric, in addition to several others, was still the most fortunate combination, as Borut Pahor stated when he was presented: He is a prominent theoretician of international relations with experience in the area of diplomacy, and furthermore he is completely free of party attachments—at least openly—since he lived through the principal Slovene party games in India as the ambassador of the former SFRY, and is also known as one of the champions of Slovene youth from the beginning of the 1970's. Because that kind of background is "important" in many respects, it is not surprising that he received full support for his appointment from all the parties and from everyone in authority in Slovenia. Essentially, Pahor said, we will be lucky if Slovenia gets a candidate like Dr. Petric for every position.

In a way, Thaler also confirmed that for us. In response to a question about why Slovenia had drawn Dr. Petric but not others from Yugoslavia's foreign policy system, he answered that Dr. Petric was so important for establishing the Slovene office in Washington that they had to "recall" him from Belgrade, even though India is not an unimportant country for Slovenia. There are two answers to the question of why, then, Slovenia did not immediately recall other Slovenes currently serving as Yugoslav ambassadors: (First) at a meeting with the Federal diplomatic service on 15 July 1991 it was agreed that the Slovenes would remain at the embassies where they are until the expiration of the three-month Brioni moratorium (which the Slovene Foreign Ministry interprets as expiring on 7 October), and (second) although they are representing the SFRY abroad, they can still do a great deal for Slovenia. In this regard Thaler praised at least five of the most prominent ones (Frlec, Novak, Simonitti, Korosec, and Golob), since "we are gaining a great deal through them" because they have specific diplomatic status and they can use that status to do a great deal for Slovenia.

In this regard Dr. Petric's experience in India is interesting; he had to state it at the above-mentioned "inquiry" before the Assembly commission. He said that he was able to use his status even in New Delhi to open doors to the U.S. State Department when he learned that he would be appointed the head of the Slovene office in Washington. In addition to this, he has established numerous other necessary contacts, and above all, left behind him certain channels of communication and information that may be very welcome later on in Slovenia's activity in India. In this light, the decision by Rupel's ministry that it will choose as Slovenia's future diplomats those who are already in such positions on behalf of Yugoslavia (Petric, Frlec, Novak...) seems much more sensible.

Of course, many people cannot feel good in this ambivalent (dual) role. For instance, several days ago Frlec's role in Bonn seemed very strange to us when Genscher summoned him in order to hand him a protest over the continuation of the war in Croatia and threatened Frlec (!) that unless Yugoslavia (and its diplomatic service) did something to end this war, Germany would recognize Slovenia and Croatia. Of course, Genscher knows who Frlec is, but that is the procedure: A protest, of course, is handed to the ambassador. Frlec will say for himself whether he felt bothered by this or whether he took it all fairly cynically—namely, the German foreign minister's threat to a Slovene that Germany would recognize Slovenia if the Federation did not do anything. That is a rather comical situation. At any rate, we can say that personnel in the Yugoslav service will continue in that a role until 7 October, and thus keep doing something useful for Slovenia. Then they really will deserve "double years." The people at 25 Gregorciceva Street will have to decide whether such a dual role is counter-productive or not (in Yugoslavia they call it "confusing").

At any rate, such dual situations at this time are Slovenia's fate and that of its diplomatic service as well. The kinds of compromises that we have described, of course, are a matter of common sense and logic at a time when Slovenia is not yet an independent state and when it is building its own foreign policy system, as a result of which it is necessary to improvise. There is no reason, however, not to give some thought now to "systemic" solutions (including comprehensive and standardized procedures for opening offices or embassies abroad, the training of new diplomats and consuls, appropriate personnel procedures for appointing future heads of offices abroad...) which should establish the image of Slovene foreign policy. At any rate, we can say in regard to the proceedings that have to be completed by the end of the year, and that the public will also follow with pleasure, that so far they have been conducted correctly and in accordance with the most pragmatic logic. We will say more about what certainly interests the public most—the final personnel assignments—at some other time....

**Arguments for Kosovo Albanian War Strategy**  
91BA1162C Belgrade BORBA in Serbo-Croatian  
11 Sep 91 p 10

[Article by Milos Antic: "The Hague as an Argument for War"]

[Text] If somewhat more favorable winds blew for Yugoslavia after the first peace conference in The Hague, that can by no means be said of Kosmet. On the contrary, one is told in circles close to the very top leadership of the Albanian political parties, which are now united, that The Hague peace conference, in which Albanians did not participate, has taken the side of all those who advocated war rather than peace in this region. In practical terms, this means that the coordinators of Albanian politics in

Kosmet will very quickly have to change the course of their struggle, that is, to replace peaceful with active resistance.

As a matter of fact, it is no longer any secret (because this can be spotted by any attentive reading of newspapers in Albanian) that the strategists of the Albanian movement for a republic have been given one month in which to prepare a war strategy. After all, it is concluded, all hopes of arriving at the objective peacefully have been dashed by the conference in The Hague without the Albanians.

**The Albanians Have Been Deceived**

Commentators in the Albanian language are now openly saying that the Albanians have been deceived. They say that they listened in vain to their foreign advisers to be peaceful, that is, not to provoke conflicts, and in return they were supposed to get equal partnership in negotiations concerning Yugoslavia's future. Because this obviously has not happened, they conclude, it has already been demonstrated that only those who wage war are given a voice—then there is nothing else left to the Albanians either.

BORBA has learned that the leaders of the Albanian political parties also notified Warren Zimmerman, American ambassador in Yugoslavia, of their decision during his recent visit to Pristina. Notifications with the same content were also sent to Van den Broek and Lord Carrington. Incidentally, on the very eve of the conference in The Hague clear notice was given "that any agreement there would not be binding on the Albanians, so that if Europe was not going to solve the problem of the Albanians at that peace conference, that is, the problems of their recognition as a sovereign state, then this will have to be done at some succeeding and new peace conference—after a new war."

Because this is an extremely serious matter, we have learned that the Albanian leaders have fought fiercely to overcome this option. Although now there are many fewer opponents to provoking a conflict with Serbia, because, it is said, all their arguments have been taken away, there are still those who feel that they should not be hasty, that a great deal more political reality and reality of other kinds must be incorporated into the entire strategy, and in particular that they should not be in a hurry. But, however that may be, people are already saying that the month of October, after the moratorium expires, is the right moment to "respond to the Serbian occupation."

One of the theoreticians and ideologues of the movement for "Kosovo as a republic" and for its unification with Albania told us "that they are aware that it will not go easy, especially not with convincing Albanians to enter into a conflict with Serbs, because in the years that have passed peaceful resistance has been taken up by broad strata, but we feel that if necessary, they will do everything for the war option to become a part of the collective consciousness of Albanians in just a week." The person with whom we spoke, who wishes to remain

anonymous, in response to the question of how the collective consciousness of Albanians could be created so quickly concerning the need for an armed conflict with the Serbs, answered that "there are many ways."

The Albanians are deeply resentful that their schools have been closed, many are enraged that they have lost their jobs, there are too many people who are on the verge of destitution, and when one adds to all this the "political stuffing" that the Albanians are the only disunited nationality in Europe and the only one not granted ethnic rights, especially the right to unite with its parent country, then it is not difficult to figure out why that objective is not attainable. And when one also bears in mind the anti-Serbism that has already been achieved, because the prevailing idea among Albanians is that Serbia has occupied them and that it is to blame for all their troubles, it is clear why the collective consciousness of the need for a war conflict is "our last trump"—he told us.

#### Can the Worst Be Prevented?

Chroniclers of Kosmet events were not surprised by this turn in the politics of that segment of the Albanian alternative which considers itself the most influential. Differences exist only in how this new option is treated. For some people, it is a kind of political maneuver whose sole purpose is to gain time and to intimidate and blackmail others, including all parties concerned with the Albanian question. These assessments are based on the unpreparedness of the Albanian side to wage war "because it has turned out that war is not a game," as well as on the inaccuracy of the assertion that it is all that easy to raise up the Albanians into an armed conflict with their neighbors the Serbs.

Others, however, think that it is not difficult at all to strike the sparks of war in this region, because many domestic and foreign factors have become involved here and because quite a bit has been invested in that conflict. Those who were paid at some time for that must justify what they have taken.

Nevertheless, the largest group consists of those who judge that this is a certain restructuring and regrouping of forces in which there will be an increasingly obvious closing of ranks of those who have supported differing options for arriving at the ultimate objective, and that the democratic forces, which have been forced to make compromises, will still have a decisive role. Although it must be said, at least according to what is heard from those democratic circles, that it is difficult and almost impossible now to prevent the worst. After all, advocates of the war option are on the offensive, and the main banner they carry is the nonparticipation of Albanians in the peace conference in The Hague.

The united Albanian political parties therefore want to transfer their entire activity, especially the taking of the decision on war, to the Assembly and government of Kosovo, which until recently was forgotten and dissolved and is now in exile. That is, hasty nominations

have been made of personnel for leadership of that Assembly, which is to make that "fateful decision," while the situation concerning the government is a bit different. Some are in favor of confidence being placed in the one that already exists, while others, more militantly disposed, are demanding the rapid formation of a new transitional multiparty and war-crisis government, which, according to them, should prepare an armed "uprising for liberation" by October.

#### Ethnic Divisions in Bosnia Ministry of Interior

91BA1156B Belgrade BORBA in Serbo-Croatian  
9 Sep 91 p 9

[Article by M. Lucic: "The Police in Party Handcuffs"]

[Text] The ethnic parties are administering the concept of triethnic democracy in Bosnia-Herzegovina "all the way to the bottom." They are applying this formula even where it should never set foot—in the police, because in any normal state the police operate by dictate of the law, not the appetites of political parties.

#### Like the "Lebanese Police"

In Bosnia-Herzegovina, the SDA [Democratic Action Party], SDS [Serbian Democratic Party], and HDZ [Croatian Democratic Community] are doing everything in their power to split the police into three ethnic segments. A scandal broke out in the spring when Alija Delimustafic, Bosnia-Herzegovina minister of internal affairs, leveled the serious charge in a meeting of the republic government that the three ruling parties were blocking the work of the MUP [Ministry of Internal Affairs] and that it had become a "Lebanese police." Delimustafic did not shrink from accusing Izetbegovic, Karadzic, and Kljuic of intervening in the MUP when they detain someone, explaining that he is a good Muslim, Serb, or Croat, and that he had given 10,000 German marks to the party. A few days later, Delimustafic said in an interview that the party leaders were placing people in the police according to what they had done for the party, not on the basis of expertise and professionalism.

The leaders of the ethnic parties were not greatly disturbed at being reproached for intervening by the minister of internal affairs—they denied everything. Delimustafic himself was not altogether consistent: First he said that it was all the truth, and then he cast ashes on his head and apologized to Alija Izetbegovic. The dust soon settled, at least in public, but people knew that it would have to be raised once again. In any case, it was a real wonder that after the statement Delimustafic made in the meeting of the government no one's official position was shaken. Actually, there is no reason to be surprised at this, because nothing ever changes in government structures in this republic following any scandal. Nor does anyone lose a hair from his head.

The other day, the public became convinced that the house is on fire when the leaders again began to talk

about all the machinations of the political parties in the Ministry of Internal Affairs. Following the events in Bratunac and the murder of the two Muslims, the MUP judges that the security situation in the republic has quite suddenly deteriorated and that there is a threat of quite fierce interethnic conflicts. Chaos is in front of Bosnia's door, but also in the police.

In an urgently called press conference at an unusually late hour, Vitomir Zepinic, deputy minister of the Bosnia-Herzegovina MUP, did not hesitate to say that all three of the ethnic parties are stepping up their attacks on the MUP and preventing it from operating professionally. What is more, he said, the pressures are so great that some leaders are threatening to set up three ministries and three ethnic police departments. Zepinic says that the operatives themselves are already becoming divided on an ethnic basis.

### Differing Orders

The public is alerted once again that many people have gotten into the police who were forced into it by the parties and who are serving them, and professionalism, if there is any at all, is the last thing required of them. Zepinic, deputy minister of internal affairs, elucidated this with real examples: "Police commanders and chiefs in opstinas who entered our service on the basis of their party allegiance are largely unable to do their job regardless of what the party wants, so that in some opstinas the orders issued by commanders and chiefs have been utterly different."

There is also the symptomatic statement made by Nusret Smajlovic, president of the trade union organization of the Sarajevo Security Service Center, to the effect that intervention by the police is usually followed by intervention by the parties. Finally, a policeman who has detected and prevented a violation of the law is suffering more than the perpetrator.

That obviously was the last straw. The military conflicts are threatening to carry over onto the soil of Bosnia, and the custodians of public peace and order have been considerably undermined and they are ethnically divided. That is why the deputy minister of internal affairs had the message for the public that attempts to divide the MUP along ethnic lines and set up ethnic police departments ultimately leads to interethnic warfare in Bosnia-Herzegovina.

The other day, the republic government was also heard from; it "supported the Ministry of Internal Affairs, condemning the pressures that come from responsible individuals in the victorious parties." The government is ordering the MUP to consistently respect the law. The government phrased this nicely, but it itself is blocked by ministers who are divided along ethnic lines. Finally, it is the policy of the ruling ethnic parties that it is conducting. But this kind of ethnically biased police is going to be bad for Muslims, for Serbs, and for Croats.

### Hidden Reasons for Martić Arrest Discussed

91BA1162B Belgrade BORBA in Serbo-Croatian  
11 Sep 91 p 11

[Article by D. Pusonjic: "Hide and Seek With Martić"]

[Text] Sarajevo—In a shower of rocks and bullets belonging to embittered Bosnians and tear gas belonging to the state, on 9 September, Bosnian special police kidnapped Milan Martić from the police station in Otoci near Bosanska Krupa, delivered him to a Federal police-military commission, and then Martić made a public announcement in Knin that now everything is fine, since he has returned home. The fact that he went to Knin from Bosnia rather than to prison means that someone has violated the law, because a Federal arrest warrant was issued for Martić a few months ago, because the authorities in the Republic of Croatia had instituted criminal proceedings against him.

As far as Bosnia and its peace are concerned, this is one time when the law should have been violated, Martić should not have been imprisoned any longer, because enforcement of the law at any price would signify political ineptness when the alternative would be rivers of blood. Members of the Serb and Muslim nationalities—bare-handed, of course—were ready to talk with weapons for and against Martić's release, and several hundred of Martić's "boys from Knin" had already set out for Bosnia to free their chief. Had they collided, all of Bosnia would have flared up like a very dry haystack. Bloodshed was avoided thanks to the MUP [Ministry of Internal Affairs] of Bosnia-Herzegovina, an institution with which no one has been satisfied up to now in Bosnia, including Alija Delimustafic, minister of internal affairs. In a moment of exasperated sincerity, he recently accused Radovan Karadzic, Alija Izetbegovic, and Stjepan Kljucic of using their position as leaders to bring about ethnic divisions in the police. Be that as it may, Karadzic has up to now been accusing the Ministry of Internal Affairs of all the evils of this world, even asserting that Muslim-Croat patrols had been established to keep "distinguished Serbs" under surveillance, and now Bosnian special police have risked their lives to save one "true Serb," Milan Martić, from a lynching. So, arguments are not worth twopence in official Bosnia.

### Not a Private Visit

We do not know all the reasons why Martić should have come to Bosnia just at this point, but it is obvious that he was not making a private visit because he was in his camouflage uniform, he was armed, he was escorted by military personnel, and he was traveling in a vehicle owned by the YPA [Yugoslav People's Army]. The bitterness of the Muslims in the area which Martić visited Sunday evening, however, can be explained: A few months ago, in Titov Drvar, thus in Bosnia, Milan Martić ordered a review of his special forces. He declared that there no longer existed a border between the republics and that he would be back. The promise was fulfilled, and the violent reaction of the Muslims can

be seen even as disagreement with Martić's opinion that a border "does not exist" between the Serbian sections of Bosnia and Croatia.

But only now are the political showdowns related to Martić's arrest and release taking place in Bosnia. As has been the case many times before, there are no longer any regrets. It is to be regretted that a consequence of it all may be "arguments to the effect" that in Bosnia the Muslims, Serbs, and Croats cannot live together in peace. As a matter of fact, the sequel is yet another "shot of propaganda about being threatened," which the key Bosnian politicians are little by little preparing for their respective nationalities, demonstrating that this is actually the only thing which they think deserves proper treatment. Thus, Karadžić has already stated (TANJUG) that the "shameful detainment of Martić at the same time lets everyone know the kind of Bosnia-Herzegovina Serbs would live in if they allow it to be separated from Yugoslavia," and that the "Muslim nationality" would suffer the greatest political harm. Nikola Koljević even says that the protest of Muslims was "spontaneous," that is, rigged. The deputy caucus of the HDZ [Croatian Democratic Community] of Bosnia-Herzegovina yesterday demanded that at today's extraordinary meeting of the parliament of Bosnia-Herzegovina they be given answers as to "who—why, and under what circumstances—is releasing and delivering persons for whom Federal warrants have been issued—in this case Milan Martić." The SDA [Democratic Action Party], once again in a bad situation, has not come out in public, but its right to offer political support to the protest of those Muslims who demonstrated cannot be contested. There is no doubt that the YPA will also gain from the quarrel over Martić, and that would be that if military personnel and a military vehicle had not been with Martić when he was arrested or if the Federal commission to whom he was delivered had not been mixed, that is, both police and military. This sequence of scenes in the settlement of political accounts by the three parties in power in Bosnia-Herzegovina has been seen too frequently for it to be a surprise this time.

#### What To Take From Bosnia

For months, attempts have been made to draw Bosnia into the Serbo-Croatian war in Croatia, solely because those involved in it cannot peacefully agree what each should take from Bosnia. It might be said that they cannot agree even on whether to divide it, because it seems that both Serbia and Croatia would like to appropriate all of Bosnia. If Radovan Karadžić, Stjepan Kljuić, and even Alija Izetbegović (who is the soberest among the Bosnian politicians), together with Milošević and Tuđman, continue their belligerent policies, Bosnia will soon find itself at a crossroads: either to be drawn into the war dance, or for the citizens to rebel against the government because of the way in which they have been represented up to now. In that sense, it is indicative that it is precisely in Bosnia that the fiercest peace protest was initiated a few weeks ago. There is no town in this republic whose squares have not been used by thousands

of people demanding peace. And that is precisely why the greatest effort is being made in Bosnia to generate and maintain an atmosphere in which everyone is afraid of everyone else. Even the Bosnian (anti-Serbs) from the ranks of the Serbian nationality, (anti-Muslims) among the Muslims, and anti-Croats (among the Croats) are already minding what they say and will have to be careful to cover their rear when war begins in Bosnia. Nevertheless, it is a fact that in Bosnia "ordinary people" do not want to die for expanded Serbia, nor for expanded Croatia (nor indeed even for "Muslimania," although that is mostly the result of political propaganda, not of actual and real aspirations of Izetbegović's SDA). Bosnia naturally looks at Croatia and sees who is waging war and who is carrying water, and it is clear to people that not a single Bosnian leader will take a rifle in his hands and go into the first line of battle to fight for realization of "his" political program.

That is precisely why they do not have the right to thrust others into a war which would not be theirs, nor to "save Martić," nor to incite enmity among Bosnian Muslims, Serbs, and Croats and win political points.... It is not unimportant that it is thanks to Martić's visit that [Bosnia] was once again on the verge of war and peace at precisely a time when an attempt was being made in the Hague—under the democratic baton of Europe—to peacefully resolve the Yugoslav crisis, which was not made by the Yugoslav nationalities, but by their leadership. Which is why it is not such a wild thought that now is the most suitable time for the warmongers to open yet another theater of war in Bosnia; that would be the crowning confirmation that on Yugoslav soil Serbs and Croats can no longer live peacefully together. Even if that were the case, the problems of Serbs and Croats ought to be resolved between themselves, not by drawing the Muslims and other nationalities into conflicts of ethnic elites sitting in Belgrade and Zagreb. After all, this time Bosnia came within a hair of bloodshed, and each succeeding test will come closer to a triumph of the past than of the future.

#### YPA Causes Increased Unrest in Bosnia

91BA1156A Zagreb DANAS in Serbo-Croatian  
10 Sep 91 pp 34-35

[Article by Fahrudin Radončić: "In an Iron Embrace"]

[Text] Two Muslims who have been killed—Nedžad Hodžić and Džemo Jusić—are the first casualties of B-H's [Bosnia-Herzegovina's] being disastrously drawn into the war. The forcible implementation of the amended Law on Military Service, which provides that opstina national defense secretariats are to turn over recruiting and other records without objection to military authorities, has had the result of blood being shed even in Bosnia.

The decision of the generals to replenish the thinning monoethnic ranks of the armed forces could be carried out, it is obvious, only by commando raids on opstina



national defense secretariats. In political terms, now that the Army has displayed its willfulness and utter scorn of civilian authorities, these raids have resulted in the definitive knowledge that the generals do not care a fig for the sovereignty and legal authority of this republic. And also that "peaceable Bosnia" actually signifies an uneasy dream for the pyromaniac warmongers and creators of the truncated Yugoslavia.

#### A Melee Over the Records

Knowing of the Army's intention to take the military records by force, but also that Pelivan's government is politically stalemated and powerless, carried along more by sentiment, disgust, and emotions than led by a cool head, citizens of Muslim and Croat nationality organized risky actions to defend and hide the military records.

The desire to prevent the "Serbian army" from mobilizing Muslims and Croats to meet its needs on the Croatian or any other front, on the one hand, and the zeal of the officers, reinforced by military rigidity and arrogance on the other, gave rise to dangerous conflict situations in several Bosnia-Herzegovina towns. In Doboj, the records were confiscated by force with the help of an armed infantry platoon, but the officers were unable to show that kind of effectiveness in Tuzla, Zenica, or Bratunac. In those places, citizens organized themselves, and probably the fiercest conflicts were in Zenica and Rogatica.

A group of about 1,000 citizens of Zenica simply demolished the building and offices of the opstina National Defense Secretariat. Some of the records were burned in public, while others were taken off in an unknown direction. It was still worse in Rogatica. After the raid of the armed officers and soldiers of the YA [Yugoslav Army], the building was surrounded by a group of several hundred infuriated Muslims. From another direction, a sizable group of Serbs rushed in to help the Army, and the result was a massive ethnic clash.

In the melee that ensued, a soldier's bayonet wounded Asim Alagic, a policeman. The slashed and blood-soaked uniform of the legal Bosnia-Herzegovina government is a morbid indicator of the feebleness of Bosnian sovereignty in the face of the ever more aggressive onslaughts of Milosevic's political and Adzic's military followers. Against the will of its legitimate government and, still more important, against the will of its citizens, this republic has become a true military staging ground. It is not only being used to stage attacks against Croatia, but the strength of the YA in general is being demonstrated on it.

The strong Army squeeze of this republic is also manifested in the ever larger concentration of weapons being withdrawn from Slovenia and Croatia. There is certainly a system and a deep strategy behind that squeeze. Strategic military facilities and weapons are being located in those areas of the republic where the Serbs are dominant in the population. Although it is clear that

Bosnia-Herzegovina is becoming a hostage to the Serb-army option, comment is hardly even necessary, especially when we know that a process of transferring military property from B-H to Serbia is taking place at the same time.

Mensur Camo, a reporter for NEDELJA in Sarajevo, revealed in the last issue of that newspaper the order by General Aleksandar Radovic sent to the addresses of "UNIS" factories in Konjic, Bugojno, Vogosca, and Gorazde. The general ordered them to send all inventories of strategic production supplies from those factories to new locations in Nis, Kragujevac, Mladenovac, and Barac. The only rationale offered for this decision is the phrase about "secure and quality storage"!

#### The YA Is Pulling Industry Out of Bosnia

This move did even more to evoke many questions about the ultimate intentions of the Yugoslav generals, and great economic importance should also be seen in the movement of the military equipment industry. According to certain figures, 55 percent of all capacity of the military equipment industry was installed in Bosnia-Herzegovina, and thousands of workers were employed in it. This is indeed no wonder from today's viewpoint, when we realize that in addition to deploying the military industry in the center of the country on geostrategic grounds, the Army has also emphasized B-H for decades as its all but exclusive national-ideological base and point of support. However, it is precisely on that terrain "of its own" that the Army is today being definitively compromised as an ideologically anachronistic, militarily pro-Serb, and essentially anti-Yugoslav force.

By virtue of its erroneous policy—which has not allowed it to be equidistant in the Yugoslav disputes—the YA had even earlier become an arrogant subtenant on the soil of a substantial portion of Yugoslavia, and the strong anti-Army sentiment is becoming an important part of the political environment of B-H. When we add to this the two unnecessary corpses in the "Lada" with Zavidovici license plates and the datum that young Bosnian men are also beginning to return from doing military service under mysterious circumstances in coffins, much of this becomes easier to explain. The story is also going around that the unfortunate Hodzic and Jusic were killed with an Army weapon and by Army orders. They were killed only a kilometer and a half from the place where they were stopped by a police patrol whose purpose was to take the recruiting records away from them. It would not seem to be a very difficult task for any professional police department that was at all politically unbiased to discover who reported that the car with the records had not stopped in response to the police warning, to whom that report was made, and who fired from ambush.

But knowing of the blockade set up by the Bosnia-Herzegovina MUP [Ministry of Internal Affairs] (Radovan Karadzic "has been advising" his followers not to enter areas where the Serbs live, "especially not at



night"), there is no need to be surprised if the inquiry comes up empty. It still remains that the events in Bratunac brought Bosnia a step closer to civil war. The Army, regardless of the demagogic assurances, seems to be working on this persistently. Although it is representing the conflict with Bosnia-Herzegovina authorities as a conflict of jurisdiction, the essence of the conflict is quite different.

#### How To Smear the President

Bosnia-Herzegovina sovereignty is at the heart of the dispute. Like Milosevic, the generals also perceive that sovereignty as something quite limited. This, of course, inevitably arouses opposition of the Croat and Muslim population. Chain reactions, growing hysteria, and hatred, which, as in Bratunac, take lives, are a segment of the ascending graph of the imminent ethnic chaos. It will be hard to neutralize the bloody trend any longer with the ecumenical policy of Alija Izetbegovic. The destructive energy and its destructive power are simply overpowering and overflowing all the dams of human reason. Aside from the personal aspect, this has also been a great political blow to the president of Bosnia-Herzegovina. In the eyes of the international public and influential political factors, Izetbegovic had acquired splendid credentials as a peacemaker, credentials which were not blood-stained.

The warmongers did not like that at all. Blood has also been shed in Bosnia, and it is to be feared that there will be more and more of it shed. The fact that the direct occasion for shedding it was created by the YA, that is, by its usurpation of the powers of the civilian authorities, is just yet another consequence of the ethnic alignment of the generals. That is why even the transparently staged pro-Army rally held last week in the center of Sarajevo as a response to the "Fortress of Love" and other peace-making actions will not help to restore confidence in the YA. On the contrary, that promilitarist gathering aroused only disgust and discomfort.

The statement of the "Serbian mother" that she is "happy her son is in the YPA [Yugoslav People's Army]" sounds like political sadism in the face of what happened to Mevludin Kujic, a soldier from Vogošća. The military authorities returned him last week in a coffin along with the statement that he was hit by a sniper in Osijek.

However, according to a statement by a civilian physician, and this was seen even on a film clip by Sarajevo TV, a young man was "shot in the back of the head with a pistol." A long line of cars and a crowded funeral, at which Reis-ul-ulem Jakub Selimoski spoke, is so far the most fervent anti-Army demonstration in Bosnia-Herzegovina. It was also a melancholy repetition of the mass protests because of the mysterious deaths of Albanian soldiers in the YA.

The atmosphere that has been created, the justified lack of confidence in the generals, and the spread of the anti-Army disposition suggest that the YA conceived in these political and ethnic terms has already lost the

political battle for Bosnia. What will happen in the possible military battle for power over this republic is another question. In any case, equilibrium in the Bosnian Bermuda triangle has been dangerously upset. As is well known, three ethnic forces have dominated in that triangle, have confronted one another, and have offset one another, but there were no human casualties until the Army drastically disrupted the relations that had prevailed up to that point. The undisguised placement of the YA on the Serbian side and the persistent "pushing of Bosnia" into the war almost certainly means that Nedžad, Džemo, and Mevludin will not be the last casualties of the fatal triangle and the embrace in which the Army holds this republic.

#### General Aksentijevic on War, Role of Army

91BA1157A Zagreb DANAS in Serbo-Croatian  
10 Sep 91 pp 25-26

[Interview with General Major Milan Aksentijevic, assistant commander of the 5th Military District, by Vesna Kesic; place and date not given: "I Dream of a Europe Without Borders"]

[Text] Colonel Milan Aksentijevic, following the decision to withdraw the Army from Slovenia, was transferred from Ljubljana to Zagreb, where he took up the post of assistant commander of the 5th Military District, assuming responsibility for morale and legal affairs. Along the way, he was promoted to the rank of general major. And while we remember him from Ljubljana as a parliamentarian, here, it seems, he has taken up a post of military commissar for public relations, he has become the spokesman for the Army, which raised quite a bit of flak and indeed consternation in monolithic Croatian news and propaganda space. And indeed beyond that....

As a delegate of the Armed Forces of Yugoslavia in the Chamber of Associated Labor of the Slovenian Assembly, Aksentijevic experienced all the manifestations of parliamentarianism: from whistling and interruptions because he spoke Serbian from the rostrum of the Assembly, to scattered applause and a friendly gesture because he respected democratic procedure. Viewed from that angle, one might almost say that he is one of the foundation pillars of Slovenian parliamentary civility; wearing the uniform of the YPA [Yugoslav People's Army] and speaking Slovenian with an accent, he taught the Slovenes tolerance, and they compelled a colonel to respect the rules of the democratic game. Franci Zavrl, who once did time in a military prison and is today an esteemed expert in marketing, says that Aksentijevic was a true Slovene, a normal family man, he built a weekend cottage, he had an excellent feel for parliamentarianism: he never gave up his position of Yugoslavism and never identified himself with the Serbian clique.

It is remembered that following the Brioni Declaration, which was perceived in Slovenia as a political defeat, he discreetly came to the Assembly for the first time dressed

in civilian clothes. It is also true that during the war they cut off his telephone and did not summon him to sessions of the Assembly. After the war, they made him an offer to transfer into the Slovenian territorial defense, for which he thanked them and said: "They do not realize that anyone from the south can think in European terms. They thought that I would simply betray myself in this way, my convictions and my honor as an officer."

General Aksentijevic was born in Kragujevac, where his father was a teacher and one of the heroes of the "Bloody Fable"—he went off to be shot with his pupils. As a child who grew up in institutions, he was educated all over Yugoslavia, and his narrow military specialization is combat in large cities and their defense. In one of its wartime issues, MLADINA represented him as the author of the conception of Ljubljana's territorial defense, which Jansa later "took over" together with his territorial defenders. Aksentijevic says that this is an exaggeration: He was commander of Ljubljana territorial defense only for a time.

It is true that he encountered a different military and political environment in Zagreb. There is war here. But there was also war there. What happened to Milan Aksentijevic on the way from Ljubljana to Zagreb and during his promotion from colonel to general?

[Kestic] What was the first thing you tackled when you arrived in Zagreb?

[Aksentijevic] As soon as I arrived, I began to think how to break through that horrible media blockade and psychological propaganda warfare being conducted here against us. It is very skillful and well organized, but it utterly lacks a sense of proportion. Allow me to express myself in military terminology—we are being hit with all kinds of weapons. That is why we decided to invite the newsmen to be our guests at the second press conference. I saw from the response of a large number of foreign and domestic newsmen that we had been right, they really did lack news from our side. And we invited them to Petrinja because the provocations there committed by the MUP [Ministry of Internal Affairs] and the Guard on our units had been occurring regularly for weeks. The Petrinja case is already well known to the public. Both our version and that official version of Croatian politics and the media. I would only mention that I never said that there was no destruction, which was imputed to me. I said only that Petrinja has not been "leveled." I do not understand people who in this kind of difficult situation have a need to make things still worse with the words they use. There is a lack of political wisdom here.

[Kestic] Who dared issue an order to any unit to undertake such a destructive action through a city? Is that not a command that could only come from above?

[Aksentijevic] That is a question well put, but you know that a commanding officer is required to protect his unit if people's lives are threatened. He must take steps to eliminate the danger with all available means. That is a law in wartime. It is certain that he would have had to

obtain approval from his superior command for any movement outside the town.

[Kestic] Mr. General, regardless of possible provocations, what we have been seeing these days in Petrinja, Osijek, Kijevo, and Vukovar...shows that the cities were devastated beyond all measure that might have been justified by a "reaction to provocation."

[Aksentijevic] In such skirmishes, the initiative of officers in the field is permitted, necessary, and possible. And action evokes a reaction, which at times is difficult to halt. If only they were robots, and they would terminate operations as soon as you press the button. If all this is to come to a halt, an agreement finally has to be reached on all sides, among all interested parties. As a soldier, I am mindful of what it means to have such a destructive force in your hands. That is why I really do not understand why, when this is well known, why the Army is being attacked and provoked in this way. This is not a military assessment, nor is it logical: No soldier would arrive at that, regardless of what side he is on, these are decisions from politics.

[Kestic] Should not such a large and stalwart organism as you consider the YPA to be have sufficient strength and firmness not to react in an uncontrolled fashion to provocations, and should not the commander personnel be rational and psychologically sophisticated?

[Aksentijevic] It is all very well to say that when we sit in our armchairs far from the front. But when you have not been getting food for days because supply is hampered, if you cannot contact another unit, when snipers and mortars are pecking at you every day, when they isolate you, arrest you, and you say nothing and take it...if you do any good, you are said to be weak, so that this is a continuous organized campaign of psychological propaganda and military action—permit me, put yourself in the place of those people. That is what they are counting on, and you see, that commander in Petrinja had been surrounded for two months, and this time he took five salvos.

[Kestic] On one occasion, Jansa, defining the war in Slovenia, said that this was a conflict of low-intensity hostility. Here, everything is somewhat different.

[Aksentijevic] That is nevertheless a superficial picture. That was a war which Slovenia imposed on the Army, and the Army did not accept it. That was a war of hate and love. But even hatred is a kind of love. In military terms, we do not view that as war at all, because we set out on a march, we did not set out to wage war. We announced the strength of the units, we stated in what direction they would go, the order was issued not to fire until fired upon. They attacked us with full combat readiness only when the cease-fire had been agreed to, and it was then that we lost the most men. That is also what is being done today in Croatia. However, viewed in terms of Croatia's interests, in view of other political and military circumstances, this is a very bad strategy for

Croatia. This is a message I can send as an experienced soldier to the Croatian politicians and generals.

[Kestic] Has the moment not been missed for the Army, in keeping with all the major changes both in our own country and throughout the East European part of the world, to be transformed in time, to be freed of ideology, to be freed of politics?

[Aksentijevic] On the one hand you are right. But our defense conception is constructed on the doctrine of nationwide defensive warfare. Indeed even laymen know that we were the backbone of the system. That was the context of our thinking and preparations both for ourselves and the population. And that is not something that could be changed in a period of a year or even less, because then the result is the kind of chaos that has actually occurred in the state. The English have been preparing for years to begin driving on the right side. It is true that if we adopt a system which is more optimal, which will offer people more consumer goods, that is, a market and parliamentary democracy, that time has then made it necessary to remove ideology from the Army. But that means that ideology must be cast out of the entire governmental system and all the institutions.

[Kestic] How do you define the situation of the Army in Croatia? It still conceives itself as "Yugoslav" and "people's." These attributes are out of place from the standpoint of the legal and legitimate Croatian government. So what happens now?

[Aksentijevic] We have to seek solutions which offer a future and do not produce casualties. I think that this would still be some option of life together, but life together is a very broad concept. Many theorists of social processes in our country say that even the present policies of the republics do not contain what they want in detailed final form. They only know what they do not want. Slovenia is only now trying something, because it is free of relations with the Army—we gave them an opportunity, but, as you have seen, Croatia's reaction to their last proposal for organizing a joint state was immediately very negative. So, it is not easy. The process of disassociation and of seeking a new form of life together must take place simultaneously, as indeed it has in Europe.

[Kestic] Both Jansa and Kucan offered a confederal option of the Army back at the beginning, but the top military leadership did not want to even hear of it. Is it more ready for changes now?

[Aksentijevic] Surely you can see how the Army is transforming itself and changing before your eyes? I think that you are not fair, perhaps our transformation has even been too fast.

[Kestic] One of the notable changes is certainly that the Army is "Serbianizing" and helping in drawing the borders of an expanded Serbia. According to certain

assessments from liberal Belgrade circles, in Croatia it is even becoming a true "foreign legion" (according to the magazine VREME).

[Aksentijevic] A term like "Serbianization" has been used ever since I have been in the military. When it is used in a political struggle and settlement of accounts, it takes on a certain dimension. GLOBUS even refers to Montenegrins and Muslims as Serbs in order to arrive at the picture of a Serbianized army. In a scientific or military-analytical context, that term would take on a different meaning. We did analyses even earlier and saw that in the officer corps we really were missing representatives of the Slovene nationality particularly, but also Croats and Albanians. For that reason, practically every Slovene who entered the Army had the chance to reach the rank of general without very strenuous effort.

[Kestic] But you know that at the moment we are talking about something different. The Army has been replenished with Serbian reservists and is operating on behalf of Milosevic's policy.

[Aksentijevic] What would you do if someone cut off your water or began to take away your air? You would fight to get at least enough air and water to stay alive.

[Kestic] You mean that the Army is taking Serbian reservists because it is not getting a new "young army" from other areas?

[Aksentijevic] Right. As soon as politics proclaims that the interests of the nationality are exclusive and sufficient, everything drops out of the normal flow of communications and is diverted into something that is not good for the people or the nationality, although it is said that everything is being done in the name of the people or the nationality.

[Kestic] Does not the "Yugoslavism" of the YPA threaten the same danger?

[Aksentijevic] I agree that proclaiming such categories to be sacred can be counterproductive. I think that a very constructive process, one which is convulsive, but is still a process, is taking place in the Army even in this sense. It was manifested in the retirement from Slovenia. Some kind of relationship should be found between those two sacred values, as it has been in Europe. Only then would we get true wisdom from politics, but the politics of our present leaders is failing in that regard. Italian newsmen asked me yesterday whether a situation might come about in which Istria would become Italian. I answered: How do you dare even think of that? Even San Marino will be Italian and Serbian and Croatian when we have a Europe without borders. You will have an opportunity to live wherever your heart desires. More precisely, wherever the opportunity allows you.

[Kestic] But we are living in the here and now. For the moment, the Yugoslav Army is helping a segment of the Serbian population that is offering resistance to the official policy and legal government in Croatia.

[Aksentijevic] As long as you, as a newsperson, phrase your question that way concerning a problem which is crying out to be called by its right name, that kind of policy will continue to be conducted.

[Kestic] What is that right name and what kind of policy is that, as you see it?

[Aksentijevic] It is that a nationality has felt itself threatened in its own land because of the policy of the official government and has undertaken measures which it thinks appropriate, but do not seem so to me, because for me the appropriate measure is always political struggle, not struggle with weapons. There is also a question of why certain Serbian and Chetnik ideas are now being used and infiltrated here. Why? In order to give an opportunity to certain Chetniks of whom every honest Serb is ashamed, just as every honest Croat is ashamed of the Ustashi?

[Kestic] But the Army nevertheless did allow itself to be used on one side in those political and armed conflicts. There are countless examples, let us just take Kijevo.

[Aksentijevic] Go between Daruvar and Pakrac, toward Virovitica, the same means are used, the consequences are the same, fires are set, there is destruction and killing, devastation, and exodus, Kijevo occurred on the other side, and there was no Army at all, it did not leave its garrison.

[Kestic] Military airplanes and other heavy military weapons are operating, as you would term it, over Kijevo, Osijek, and Vukovar.... Why?

[Aksentijevic] Unfortunately, because of a coincident set of circumstances, including politics. It is not a question of some commander of a city or even a little village becoming an outlaw, although there is a great deal of that, in which everyone is pursuing his own justice. Unfortunately, there actually have been many cases from which it turns out that the Army is fighting only units of the official Croatian government, but which also are partially illegal, as they have in fact been proclaimed by international declarations, but this is being evaded. I know of many examples of protecting both nationalities, but the news media in Croatia are in the hands of those who do not want to say that. That is what hurts.

[Kestic] The Army has never disavowed Milan Babic or anyone else when they declared that their defense was a "part of the unified Armed Forces of Yugoslavia."

[Aksentijevic] If he says that, one must ask why he is saying that at that moment? Probably in the interest of that part of the population which elected him its leader. And it may be a question of necessities in day-to-day politics for him to say that. I have already said several times: There exists in Croatia the so-called Krajina, the so-called government of Krajina, and the so-called Serbian people. And there exists the official government of the Republic of Croatia. However, the people in the Krajina consider the government there their own legal

government, they voted for it in a plebiscite, and it actually is exercising the authority. What has happened in the state at large has also occurred on the territory of the Republic of Croatia: Parallel systems of government have been set up. In any case, I repeat, I have never been in contact with Mr. Babic, I have not even been keeping up with what he says.

### **General Aksentijevic's Views, Behavior Attacked**

*91BA1157B Zagreb DANAS in Serbo-Croatian  
10 Sep 91 p 27*

[Article by Milan Ivkovic: "The General Is Nevertheless Afraid"]

[Text] General Aksentijevic of the 5th Army Military District, who in recent days has become a media "star," feels "at home" in Zagreb. Just imagine a general who is a Croat holding a press conference in Belgrade and threatening the Serbian political leadership while the YPA [Yugoslav People's Army] is devastating Serbian villages and cities! That picture is unimaginable, although according to the role and nature imputed to the YPA, it ought to be just as realistic as the picture of Aksentijevic's interview with newsmen in Zagreb. So, it was not the situation at the moment that made the Yugoslav People's Army a Serbian occupying army in Croatia, but the lasting and systematic policy which only needed that situation in order to manifest itself. One of the purposes of punishment of the notorious verbal crime was to conceal the truth about the nature, makeup, and intentions of the Yugoslav communist army. Now that the verbal crime no longer exists, people are hiding instead in words: The Army is becoming Serbian by purging Croats and other non-Serb officers from the officer corps.

In that way, the morality of the Serbian generals in Croatia becomes "cleaner" and "clearer," that is, it becomes the morality of an occupier. The model of the classic behavior of an occupier is repeated: emphasize the honorable nature of the objective in what one says, deny it ever more strongly in what one does. While he is skillful in the words with which he denies the crimes of the YPA, Gen. Aksentijevic is striving to be as effective as possible in committing those crimes.

Many people, on the basis of "conventional" sentiments, probably took offense at that picture of an occupying general—it can now be said—in a foreign, but occupied country who is denying aggression by justifying it and justifying it by denying it, but the time has come for that "conventional" sentiment to be replaced by those of wartime, in which insensitivity is the response to insensitivity. That insensitivity is not inhumane, it is natural if we think of the instinct for biological survival as natural.

If the morality of the aggressor is clear, it can be effectively resisted only by a clear morality of the victim of the attack. And clear words are needed for that

morality to be clear. That is why the phrase "Serbocommunist occupying army" seems unsuitable to me, and the term—Serbian occupying army—more accurate and clear. For the simple reason that no future government in Serbia or "Yugoslavia" will renounce the gains from the present Army offensive against Croatia, and it is not at all precluded that the present Serbian generals will continue to be generals of any noncommunist expanded Serbian or "Yugoslav" government. Gen. Aksentijevic's skill and that of his colleagues in propaganda warfare is neither communist nor noncommunist, but that of an occupier.

However much evidence the newsmen have to back up their questions, he has "counterevidence." Those questions are usually phrased as though expecting Aksentijevic to say: Yes, you are right, the YPA has been committing atrocities. He will not, of course, say that, nor will he avoid even the greatest trap in those questions; indeed, he likes those traps, he begs for them, he wants as many as possible, because that will give him more "justification." His logic is this: The greater the bind in which I am put by any newsman's question, the better for me and for my army, because I will always extricate myself from that bind with my answer and thus "prove" that neither I nor the YPA was ever in it.

In wartime, words are not used to state the truth, but to achieve an effect. Gen. Aksentijevic is counting on several effects. He might irritate Croats who see him clearly and who no longer doubt that the Serbian Army is an occupier, but if at the same time they feel the weakness of their defense, in their irritation they might feel still more helpless. Croats who are afraid and who clearly see Aksentijevic's hostility, just as they see his power, which he is strengthening with his propaganda skill, will feel still greater fear. Those who are wavering and still have remnants of some respect for the YPA may waver even more to the point of believing him. He can also lead poorly informed foreign newsmen—poorly informed both about the situation on the battlefield and also about the political history of this region—to conclusions unfavorable for Croatia. And then with his propaganda skill he encourages the occupiers—the YPA and the Chetniks. With this kind of logic: We will destroy that city or this village, and Gen. Aksentijevic will "prove" that we did not destroy it. Afterward, viewing and hearing the confidence and skill with which Aksentijevic "justifies" aggression, and seeing the merciless advance of the occupier against Croatia, even a "good Croat," but a "realist," could think this way: Fuck them, they are strong, let us get something out of them, let us give in.

What should be done in wartime is certainly the decision of the Croatian government. But what should the media do, referring, of course, to the media devoted to Croatia, and accordingly to preventing the occupier from strengthening his propaganda? Should they be allowed to interview the enemy in such a way that he can make use of that interview? I think that interview should not be conducted and should not be allowed, and if someone is

interviewed—out of naivete or for some other reason—it should not merely be mentioned that there is a discrepancy between what he says and what is actually the case, but the reader should be alerted that he is using that discrepancy precisely because it is a discrepancy. In contemporary warfare, an occupier has never come into a country and said to the people of that country: I have come here to kill as many of you as possible, to subjugate you, and to exploit your resources. He comes "for the good" of that people, while doing it harm. Even Aksentijevic will surely never say that to the Croatian people and to Croatia.

In any case, Gen. Aksentijevic's behavior as a dirty warrior who desires to be effective both in psychological propaganda and on the battlefield is also demonstrated by his belittlement of the successes of the Croatian defenders. He reduced the fair number of destroyed tanks of the Serbian occupying army to damage on the track of one tank. So when the time comes to say that Croatian soldiers are attacking the YPA, then he will say that they are attacking it, and indeed very fiercely, but when the time comes to discourage Croats and Croatia, then the effect of those attacks are reduced to the smallest possible measure. Which is to say, that for all his confidence, the general is nevertheless afraid, just as every occupier is afraid.

The trail of that fear should be followed both on the battlefield and in the media. It is only by following that trail that we can arrive at a liberated Croatia.

#### **Report on Croatian Special Antiterrorist Unit**

*91BA1167A Zagreb VJESNIK in Serbo-Croatian  
9 Sep 91 p 4*

[Article by Jasminka Ivancic: "City Boys in the Guards"]

[Text] Leave us the license number of the car you are driving, a personal description, and where you are going, we have already lost six people, just in case...so that we know where to look for you—this was the quite specific introduction we were given to the rules of behavior in the war-torn area of Sisak and vicinity by the man assigned to public relations in the crisis command center. Everything is done on the run, because every minute is precious, and Jadranko Garbin, commander of the special antiterrorist unit we had come to visit, was just as severe in his instructions. It was not their intention to frighten a journalist, but to avoid any unnecessary dodging of "stray bullets" and the living and working conditions imposed by the war.

When we announced our arrival, Garbin said: "If you can, come at once, because we are leaving for Petrinja and beyond to mop up, and I do not know if and when we will be coming back!"

#### **From the Army to Banija**

We were traveling toward Sisak, the first destination, one that was well known, and there the commander of



the unit would pick us up at the crisis command center, and from there we would go with him. There was also a young man with us from the Zagreb settlement of Botinac, who this March was in the YPA [Yugoslav People's Army], which at that time was still official. "There was a horrible fight at that time in Knin and Zadar, don't even ask me, they just send you, and you have to obey and carry out orders...." But 20-year-old Mario had the good fortune to return from the Army.

But now, after 28 days of guarding Borovo Naselje and a few days of rest in Zagreb, he set out last Wednesday to the hot war in Banija, joining the antiterrorists, knowing that they were going out on the toughest missions. He says that he is not afraid, because he knows that he is fighting for Croatia. His mom is the one who is anxious for the life of her only child, but she did not forbade him, unlike his father, who tried to dissuade him. Mario tells us this as we travel through the cornfields, raising the dust of field tracks and skirting the "minefield" of the "Pleso" airfield, which has been blocked off by military forces. Our fellow traveler, whose delicate build and quiet nature would seem out of place even in the hurly-burly of a disco club, told us about Borovo Naselje: "We were guarding the area located in the first rows of houses, and they were constantly hitting us with mortars. We would take turns resting in the cellars, no one backed out. But we had a sniper who on one occasion hit 'one of theirs'—in the sights of his rifle he saw part of the head blown off, the brains. This did him in mentally...."

#### "We Will Liberate Croatia"

We reached a base where hasty preparations were being made to leave for the field, additional equipment, socks, weapons, and ammunition were being distributed. We buttonholed the commander to tell us at least briefly what they were doing and how, but security is the main motto. Even the lads would learn where they were going only when they were on the way, they only know that what awaits them is the most difficult area. We received only some technical data about their equipment, preparedness, and the statement that their "morale is high in spite of these events." They all respect and adhere to the strict instructions of the experienced commander without objection or wisecracking. "You just listen to the news, you will hear about us, we will liberate Croatia, and we will all come back," we were told by one of the young men from this special antiterrorist unit as he prepared for yet another uncertain battle. "Everyone constantly says and writes in the newspapers that people from Zagreb are just enjoying themselves, that they are not fighting for the homeland, but you see almost all these boys are from Zagreb: Buco from Ravnice, Horvat from Sopot, and Led, Tompa, Kezma, Brle, Beri, and Cipeva are boys from Dubrava."

When they talk, these young men are full of strength and a desire and enthusiasm to accomplish what lies ahead of them, convinced that they will get through it all and all will return to their own Zagreb and once again enjoy peaceful streets, bustling little cafes, and going out at

night. We asked them whether anyone had so far wavered, backed out, and gone home, unable to withstand the "iron" discipline and hellish missions, but they all responded in unison: "There is no theory," although before they go on a mission the commander gives them a "pep talk": "Lads, anyone who thinks of backing out, let him back out now, not in the field. Even as it is, half of you will not be coming back this time!" And the kind of things awaiting them is indicated by what happened with an armored personnel carrier assigned to them. The young warriors were "trying it out" in Sunja when they came under artillery fire. Two rounds scored direct hits on the vehicle and completely destroyed it, and four of the boys were wounded. As they withdrew, their rear was covered by the best man they had with an automatic rifle, a Serb, and an experienced pyrotechnics specialist, a small Bosnian, took them through a minefield.

Then came the final preparations: "Take your pistols, see that there is no bullet in the chamber! Test your weapon, but no one cock his gun before I say so," said another commander, Mladen Gloznic, also from Zagreb. In groups they take turns at the edge of a pool into which they fire. The roar of the weapons is chilling, although this is just practice. But in a few hours they will be facing hellish reality somewhere in the hostile territory of Banija. "The bullet travels fast and bounces off the water," comments an experienced warrior about the effect of the pistol fire on the calm surface of the water. And for the young men from Zagreb who have grown up on city concrete in peace and prosperity, for whom war not so long ago was just a history lesson, an event from numerous films about Vietnam, "Rambo," and "The Terminator," it has now become a reality which they feel on their own skin.

In this unit they have been joined by two Frenchmen, a 25-year-old former legionnaire, Stefan le Fauconier, and Damier Kruger, five years younger, from a military high school. Both of them from Lyon. The third foreigner is a German, also a former legionnaire, who wanted neither to talk nor to be introduced. But the antiterrorist boys from Zagreb said of all three that they are exceptional fighters and real professionals. We left them in their hurried preparations with the only possible farewell: Good luck and hang in there.

#### Data on Bosnia-Herzegovina Ethnic Armies

91BA1167B Belgrade BORBA in Serbo-Croatian  
13 Sep 91 p 11

[Article by D. Pusonjic: "New Detachments on Zelen-gora"]

[Text] For several months now, Bosnian politicians have been accusing one another of forming paramilitary organizations along ethnic lines, and the media have been reporting here and there some Bosnian detachment, but only on 11 September was the existence of ethnic Bosnian detachments made public for the first time in a report of the B-H [Bosnia-Herzegovina] MUP [Ministry



of Internal Affairs]: "In the area of security, particular attention should be paid to the formation of paramilitary formations and armed groups in certain areas of the republic, along with the tendency to 'arm the people,' whereby conditions are objectively brought about for large-scale interethnic conflicts."

The figures on paramilitary formations on Bosnian soil in this report of the MUP, devoted to the political-security situation in the republic and prepared at the request of the government and Assembly, have not been systematized. First of all, it is striking that most of the paramilitary formations have been formed among Serbs, that in most of the cases the MUP, in presenting the information on some particular paramilitary formation, qualifies what it says with the word allegedly, and finally, that the report even gives the names of the organizers and/or commanders of the paramilitary formations.

#### Seselj's Men Cross the Drina

In connection with the arrest of Milan Martić in Bosnia, "there was a call to send into action Serbian" units in Ozren and to block off Tuzla and Lukavac, the MUP writes. The department obtained information in the field that in the region of Ozren (along with civil defense staffs) a corps had also been formed with the original function of defending Serbs in Knin, and later that of working out a strategy for defending Ozren, and it was argued that a joint command for Knin and Ozren should be formed.

A particular unit representing itself as an anticommando unit of the Bosanska Gradiska TO [territorial defense] is stationed in Bosanska Gradiska. Its members were trained in camouflage uniforms without caps and insignia, and they were armed with M 72 machine guns. It has been observed that they have three 'Cazmatrans' trucks from Bjelovar and a 'Slavijatrans' tank truck from Petrinja that had been taken previously on the roads of Bosanska Gradiska.

On 31 August, two persons of Serb nationality were wounded in Bratunac, and on 3 December two Muslims were killed and another wounded at Kravice, and after that militant groups organized themselves. But in this connection, the MUP is checking out the report that the leadership of the Serbian Chetnik Movement [SCP] intends to send an armed company into the region of Bratunac. On 5 September, in the region of Zelina near Bratunac, a sizable group of well-armed men (probably 'Seselj's men') were sent across the Drina, allegedly with the mission of attacking the Muslim villages of Glogovo and Drinjaca and establishing an autonomous oblast along the line Vlasenica—Milici—Drinjaca, which then would be annexed to eastern Hercegovina. During the night, Bratunac was visited by "certain individuals of Serbian nationality from Sokoc...who were carrying on activities related to organizing and arming a group of civilians." Also, certain leaders of the SNO [Serbian National Renewal] from Serbia were offering aid to the

Serbian population there, and leaders of the SDS [Serbian Democratic Party] from Bosnia say of the SNO that they are well armed.

In connection with the formation of SCP committees in Bijeljina, Modrani, Banjica, and Pucili, new members were promised that they would get weapons in order to create voluntary detachments, and certain members of the SCP (Mirko Blagojević, Stevo Mirković, Novak Juric, and Dragomir Mirković) say that they have their own training ground in Serbia, near Bogatic. They think that they should help to create an atmosphere of fear by informing the public, and this will bring about conditions for eliminating the Muslims and Communists.

On Sokoc (Romanija), there are armed groups of young volunteers of Serbian nationality engaged in certain training activities and target practice. They are also juggling with the figures on the automatic weapons that in case of need would be distributed to the Serbs in this area from the storehouse of the B-H MUP on Sokoc, and it is expected that officers of the YPA [Yugoslav People's Army] of Serbian nationality would offer help to the Serbs.

The "Karadjordje" detachment in Nevesinje was established in mid-May; its commander is Arsenije Grahovac, the detachment is armed, and in Serbian settlements in the Nevesinje area there are also chapters whose members are armed. After the detachment was established, sentries began to be posted at night, weapons were abused, vehicles and travelers were stopped at checkpoints without authorization, and there were elements of banditry in which Krsto Savic seems to have been involved.

In Ljubinje, a volunteer detachment was formed in early June. The commander is said to be Zdravko Mutapcija, and some of Vojislav Seselj's connections judge that Ljubinje is a potential hotbed for crisis in the republic and that the 'Knin model' of monitoring roads and approaches should be applied in that town.

In Gacko, a branch has been formed of the "Stojan Kovacevic Soko Company" (Kovacevic was a Chetnik vojvoda from this area in the last war) which has brought together young Serbs who know karate, judo, and boxing; the commander is Ranko Kosutic from Gacko, and there allegedly is a system worked out for arming them.

#### Arms Merchants Are Organizing the Muslims

One of the principal initiators and organizers of the formation of armed groups in the region of Sarajevo is Branislav Gavrilovic and a number of people who share his thinking, asserting that "if things get hot all the Gypsies in this city will be killed," and that "Sarajevo is an Islamic city," and that the "Serbian Radical Party [SRS] is not engaged in politics, but in something altogether different." Gavrilovic has been receiving instructions for his effort from individuals from the main committee of the Serbian Radical Party in Belgrade.

Gavrilovic sent the first group of volunteers for Croatia to Trpinje via Belgrade, and there they received automatic weapons and grenades, and at this point Gavrilovic "was confiscating articles of gold" from Croats.... Most of them went back to Sarajevo, and Seselj, according to certain information, has recently appointed Gavrilovic commander of all volunteers of the SRS in the area of Slavonia, Baranja, and Western Srem.

One person in the vicinity of Sarajevo...is issuing orders to carry out combat operations from the region of Bosanski Novi and Bosanska Gradiska onto the territory of the Republic of Croatia, and he has also issued an order to increase the combat readiness of his unit in the border areas of Bosanska Krajina. In Ilijas (15 km from Sarajevo), arms have twice been distributed to Serbs in the last four months, and in the village Nisici a Chetnik company armed with automatic weapons and grenades was supposedly formed recently, and a review of this paramilitary formation has already been held (allegedly) after receiving training in firing the weapons in the village of Bukve.

Certain persons of Serbian nationality from the vicinity of Vares say that they have applied as volunteers for "Martic's army" and that they expect a summons soon, and the arms for these areas are being delivered from Ilijas. In Derventa Opstina, some people are working to form units for defense against attacks by the Croats. One of the fighters from Borovo Selo is in his native Zavidovici recruiting volunteers who would go to Croatia.

In Miljevina near Foca, there is a defense detachment made up of armed Serbs "who even have four machine guns," their commander is allegedly Rade Elez. They are taking target practice on Zelengora. After the conflict in Glina, about a hundred Serbs in Berkovici near Stolac joined a volunteer detachment to help the Serbs in Glina, their commander is Ranko "Beli" Lucic, and they have 7.62-caliber drum-type automatic weapons. They have completed their training.

According to one source, a group of people from the region of Hadzic (Sarajevo) who are in the business of buying and selling arms are working to organize young people of Muslim nationality to defend their people. Allegedly a group of some 10 armed men is already operating in Pazalic, and there is information on the way members of the SDS from Kiseljak and Konjic have been armed....

The need to create armed forces of Muslims in a sovereign Muslim state in present-day Bosnia-Herzegovina is a part of the program of the Muslim National Council, which has been established by Nurif Rizvanovic from Bratunac. He has been promising that its members will be armed in keeping with members of the Serbian National Council, and arms will be purchased with membership dues.

Certain members of the branch of the Croatian Law Party [HSP] from eastern Bosnia (Foca, Gorazde) have become involved in recruiting volunteers and sending

them for training and help to Croatia. There has been a call for the HSP in the vicinity of Sarajevo to carry out a 'putsch,' take over the chapters of the HDZ [Croatian Democratic Community], and form detachments that they would send in groups to Zagreb for training and later into crisis areas.

[Box, p 11]

#### Rifle Grenade in a Car Trunk

"More and more often in regular vehicle checks police officers have been finding in the vehicles which they stop sizable quantities of firearms, ammunition, and other equipment whose origin the owners frequently will not state, and it later turns out that the arms belong to members of the MUP or People's Guard Corps of Croatia or members of the SAO [Serbian Autonomous Oblast] Krajina," states the report of the B-H MUP.

Such cases have been recorded in Bosanski Novi (a vehicle with Sisak license plates), in Velika Kladusa (license plates from Karlovac), in Orasje (German license plates), in Bosanska Gradiska (in a "Kroacija-trans" bus, a sizable amount of ammunition, two hand grenades, and parts of a uniform of the Croatian MUP were found), in Zavidovici (in a vehicle registered in Split, a submachine gun and bullets were found in the possession of people who had been employees of the Croatian MUP), and in Gradacac (a rifle grenade was even found in a vehicle with foreign license plates driven by Zeljko Lazic of Velika Gorica)....

[Box, p 11]

#### A Call From Romanija

The report of the MUP alleges that a certain number of people have established in an organized way an underground radio communications system "linking together all the areas where the Serbs live (Olovo, Sokolac, Trnovo, Pale, Kalinovik, etc.)." They have acquired weapons, they have set up two-way radios, and a relay system has allegedly been set up in the plains of the Romanija region which is secured on a daily basis by armed personnel, but the system is constantly on the move.

#### Surplus Norwegian Military Equipment Sought

##### Needed for Croatia

91BA1155A Oslo AFTENPOSTEN in Norwegian  
12 Sep 91 p 3

[Article by Harald Stanghelle: "Croatia Wants To Purchase Norwegian Materiel"—first paragraph is AFTENPOSTEN introduction]

[Text] A Norwegian citizen of Croatian background has approached the Defense Forces with a request to purchase surplus military equipment for use in Croatia.

"I can confirm that we have received such a request," Defense Supreme Command press spokesman Per Bothun told AFTENPOSTEN.

According to what AFTENPOSTEN has learned, the Ministry of Defense has also been approached about the possibility of Croats taking over materiel that the armed forces no longer need. "Send surplus military materiel to crisis-stricken Croatia," proposed Storting representative Oscar D. Hillgaar in a letter to the Defense Ministry political leadership.

If materiel that is outdated is available in the form of discarded equipment, Hillgaar asks the Ministry of Defense "to offer that materiel as a loan from standby reserves."

Storting representative Hillgaar points to today's auction at Kongsberg and asks State Secretary Elsa Eriksen to consider offering usable materiel as humanitarian aid to Croatia.

In particular, Hillgaar cited vehicles that "can be used as transportation means for medicines and medical equipment that have been collected in Norway by Caritas humanitarian organizations." He also asked the Ministry of Defense to consider "offering stretchers, blankets, etc., for use in this region, which has been hard hit by military action."

The Storting representative has "received confirmation that Caritas will be able to assume formal responsibility as recipient." It emerges from the letter to State Secretary Eriksen that the practical transfer of medicines and equipment, according to Hillgaar, will take place under the auspices of a newly established group that calls itself the Slovene-Croatian Humanitarian Support Group, administered by the Catholic parish in Tonsberg.

"The inquiry does not concern weapons, but military equipment, uniforms, vehicles, and communications equipment," Colonel Bothun stressed.

According to what AFTENPOSTEN knows, it is a Croat who has been a Norwegian citizen for many years that has contacted Norwegian authorities. He has emphasized that this support work has just begun and that, for the moment, resources available for purchase of materiel are not so large. Therefore, they want to purchase surplus materiel cheaply.

That the approach comes specifically at this time is due to the fact that an auction of military equipment has been announced today at Kongsgardsmoen near Kongsberg.

"Among what we will auction off are some obsolete sets of tools, some communications equipment like radio transmitters, switchboards, and data equipment, old field jackets, along with 54 obsolete motor vehicles," Colonel Steinar Jossund of the Army's supply command told AFTENPOSTEN.

He underlined that what is being sold has been carefully screened with regard to the restrictions that exist concerning sale of military materiel.

#### Free Sale

"For us, all this is discarded and obsolete, but there will also be small niches for its use," said Colonel Jossund, who was not aware that a support group for Croatia is interested in today's auction.

Press spokesman Per Bothun said that the Defense Forces consistently call these and similar communications to the attention of the political authorities.

"We have no restrictions with regard to who shows up at today's auction and wins the bid for what is being set out for sale. Our control lies in the fact that we are careful about what can be sold on the open market. Anyone can buy the materiel we approve for open sale," advised Colonel Bothun.

#### Defense Ministry Negative

91BA1155B Oslo AFTENPOSTEN in Norwegian  
13 Sep 91 p 2

[Article by Harald Stanghelle: "Defense Forces Skeptical About Help for Croatia"—first paragraph is AFTENPOSTEN introduction]

[Text] The Ministry of Defense is skeptical about handing over surplus military materiel for humanitarian assistance work in Croatia.

"We understand well that the Yugoslavs in Norway are intensely engaged in assistance work, but it would be very unfortunate if materiel originating with the Norwegian defense forces in any way plays a part in feeding the fire that is underway in today's Yugoslavia," said press spokesman Gunnar Hatloy Angelveit to AFTENPOSTEN.

But Mladen Cvitanovic, a Norwegian of Croatian background, is not giving in:

"What makes me so confused is that everyone I talk with says they understand the need for help, but nothing concrete comes of this," Cvitanovic told AFTENPOSTEN.

In yesterday's issue, AFTENPOSTEN told that a Slovene-Croatian support group in Norway wants to take over surplus materiel from the Defense Forces for use in assistance work in Croatia. And yesterday Cvitanovic was at an auction of surplus military equipment at Kongsgardsmoen near Kongsberg, but did not find the type of materiel that he thinks is needed:

"We need vehicles for transporting the sick, warm uniforms, wool blankets, sleeping bags, and military rations for use among the many refugees in Croatia. When we ask the Defense Forces for help it is because there are no other authorities that have such large quantities of such

things," said Mladen Cvitanovic, and pointed out that they were willing to use materiel when the Kurdish refugees from northern Iraq had to be helped.

The Defense Ministry's Gunnar Hatloy Angeltveit thinks the Defense Forces are the wrong address for the request:

"It is not a matter of good will, but it is not the Defense Ministry's task to carry on this type of emergency assistance. We have other authorities for this."

He also pointed out that some of the surplus military materiel can continue to have significance from a military standpoint.

"When it comes to our war reserves, we are very cautious about eating into them, and this is a restrictive practice we ought to continue," said Gunnar Hatloy Angeltveit.

**Financial Expert on Slovene Monetary Problems**  
*91BA1105A Ljubljana DELO in Slovene 31 Aug 91*  
*p 21*

[Interview with Dr. Ivan Ribnikar by Miha Jenko; place and date not given: "Now We Really Have Our Own Money"—first paragraph is DELO introduction]

[Text] We talked with our recognized financial expert about the current situation in the monetary and financial area, possible Slovene money, the monopolistic situation in our banking system, public debt, and possible ways out of the present financial labyrinths.

[Jenko] You have been warning for years now that the situation in the financial and monetary area here has a strange and abnormal structure. It seems that this particularly applies to this year. In this regard, how do you view the actions of the NBJ [National Bank of Yugoslavia], and the monetary blockade against Slovenia?

[Ribnikar] We can recognize the inconsistency of the planned-market economy most easily if we look at it from the financial point of view. That unusualness from the financial standpoint is shown in the basis of the system, in the means of financing enterprises. There was no possibility for lasting sources of funds for enterprises to arise on the basis of property outside the enterprises, and so all the weaknesses of this system appear in the banks, and through them, in the central bank and in monetary policy. In that regard, the economic system has not changed in any part of Yugoslavia, and I do not see any difference in the way the system functions in Slovenia, Croatia, Serbia, or Macedonia. It is still the same system. There will be a revolution when, in the area of capital, the lasting sources of funds that are socially owned turn into the property of a known subject. As far as the NBJ and its actions this year are concerned, they obviously have to do with the continuation and delayed impact of the mistaken economic stabilization policy that Markovic began at the end of 1989. Last year's euphoria, when the German mark was worth 7 dinars,

etc., necessarily led to what we have had in Yugoslavia this whole year. The second thing is the NBJ's measures against Slovenia and Croatia, which have been isolated from the monetary system and are no longer receiving cash—if there still is any in the treasuries of the NBJ and the SDK [public auditing service]. Furthermore, our banks do not have the right to NBJ loans, and they do not have access to the foreign exchange market. These, of course, are retaliatory measures that are not a direct consequence of the planned-market system or the mistaken stabilization policy of Markovic's government, but occurred instead under the conditions of the liberation or secession of these two republics. We have not heard about any particular effects of those measures for now. We still have a sufficient supply of cash, and in any case the foreign exchange market is virtually not functioning. Over time, unfavorable consequences may appear, since the blockade has not yet been removed.

[Jenko] At any rate, there is still some uncertainty in the monetary area. The NBJ, for instance, has the possibility of taking away the Slovene banks' main authority to do business abroad. In your opinion, what are the possible scenarios between the NBJ and the Bank of Slovenia?

[Ribnikar] What you have mentioned is certainly a danger. Specifically, that danger would no longer exist if Slovenia somehow seceded and formed its own monetary system. Of course, that would not be enough by itself; it would also have to be recognized as an entity abroad.

[Jenko] The introduction of our own money is one of the short-term possibilities in the monetary area. You pointed out months ago that we would have very weak money if we introduced it immediately. It seems that professional monetary circles are also thinking about the immediate introduction of a Slovene currency as some extreme alternative. In the present situation, would you recommend the introduction of our own money, or do you have some other possibility in mind?

[Ribnikar] If Slovenia is isolated from Yugoslavia—and in the political area that has already begun to happen—then there is no longer much else to choose. There were several possibilities to choose from just a few months ago. I emphasized then that there was no sense in isolating ourselves from this monetary system, since the advantages of a larger monetary area are obvious. On the other hand, if we introduced some money of our own, it would be approximately as weak as the dinar it would replace, and so there is no sense in doing anything like that. Now, only one choice is being offered more and more, and all the other possibilities are being closed off—for purely political reasons, not economic ones. I still think that the money that will have to be introduced—the way things are developing—cannot be good money.

[Jenko] Do you think that it will be subject to inflationary pressures?



[Ribnikar] Certainly. The thing is that our former Yugoslav market will be even further curtailed by our isolation from the monetary area and the introduction of our own money. That means a further decline in production, the social product, etc. The pressures that are now appearing here are so great that they cannot be withstood through any discipline in the monetary area.

[Jenko] Do you think that Slovenia has sufficient foreign exchange reserves to allow interventions by the Slovene central bank in the foreign exchange market?

[Ribnikar] I do not think so. It is still possible, however, to have a monetary system with a freely sliding exchange rate, where the central bank does not have any foreign exchange reserves and does not intervene in the foreign exchange market. Operational foreign exchange reserves are only required by commercial banks to make payments abroad. The introduction of money with a freely sliding foreign exchange rate, however, would also mean a system that would certainly act in an inflationary manner. That money could not be good, since the central bank could not act in the foreign exchange market and keep the exchange rate of the German mark to, for instance, 22 or 25 dinars, but would have to allow the foreign exchange rate to be established freely. In our situation, of course, that means constant growth in the exchange rate, and thus an inflationary impetus. It is a vicious inflationary circle in which the exchange rate grows because of inflation and inflationary expectations, whereas the growing exchange rate, at the same time, causes further inflation. Another option is money with a balanced sliding exchange rate, where the central bank already needs certain foreign exchange reserves. There the central bank, to be sure, intervenes in the foreign exchange market, but from time to time acknowledges upward adjustments to the exchange rate. The third possibility is a firm fixed rate, which requires large foreign exchange reserves and a settled situation in the financial area, including the state finances, the fiscal system, and the finances of enterprises. You cannot maintain that kind of exchange rate without a completely settled financial and economic system.

[Jenko] It is hard to have good money without healthy banks. A Slovene government adviser, Dr. Pleskovic, said in a recent interview in SLOVENEK that recently the Bank of Slovenia established a group which began work on a program for the financial rehabilitation of banks. Were you, as a recognized financial expert, included in the work of that group?

[Ribnikar] No, this is the first time that I have heard of that group's existence.

[Jenko] No one ever consulted you or asked you to participate?

[Ribnikar] No, mostly I have said what I think, and I started talking about these things back in 1988.

[Jenko] It is well known that the Slovene banking system is not efficient enough, among other things because of

the lack of competition and the monopoly of the Ljubljana Bank. Is there enough will in our area, and material and personnel resources, for us to have financially healthier and more competitive banks in a few years?

[Ribnikar] I am rather pessimistic about that. I have been against monopoly the whole time, but I think that the Ljubljana Bank is not responsible for its monopolistic position. Every normal person or institution wants to have one. The state is the one that has to prevent that natural desire, so that the state is also guilty for our having such a monopolistic banking structure. A bank would be behaving masochistically if it did not take advantage of a situation allowing it a monopolistic position. At times the state even forces it into one. The problem, therefore, is in the state. In this regard, illusions are also appearing that we will achieve a competitive banking structure with the aid of foreign banks. It is an illusion to expect that in the present monopolistic situation foreign banks will come here to any great extent—so that then the biggest bank would only have 30 or 40 percent of its total balance amount, funds, or deposits. That will not happen unless the state simply eliminates that monopoly....

[Jenko] What monetary policy measures would you recommend to the Slovene monetary authorities in order to attract foreign capital?

[Ribnikar] I think that it is not that intimidating for foreigners if our money is weak and if we have inflation. They are interested primarily in the risk in a given state, legal stability, and order. They are capable of protecting themselves against the problems introduced by weak, inflationary money at least as well as we can. The other thing, however, is that Slovenia will not be particularly attractive to foreigners as an isolated special market, or a domestic market of 2 million people with a \$10 billion social product. Thus, we cannot expect foreign investors to come here because of our domestic market. It would be different if it were a market of 22 million people, since there would be more possibilities for someone to come to the Yugoslav market through Slovenia. That is now closed off, and the options that were still possible have been reduced to one, namely, the one that would confirm the genius of the predictions by some people that we would have to have our own money, tariffs, etc.

[Jenko] What do you think about the idea of former deputy NBI governor Mitja Gaspari, who talked in the last issue of EKONOMSKA POLITIKA about how some sort of monetary union should be formed in Yugoslavia?

[Ribnikar] Since last October I have been conducting a discussion about a monetary system at the level of a confederation or federation of states. I think that all these options, which are more rational from an economic standpoint and less destructive to the economy, no longer come into consideration.

[Jenko] It seems that in the monetary area Slovenia can only choose among the worst possibilities. On one hand, there are the considerable risks entailed by establishing

our own money, but on the other, there are all the weaknesses and complications threatened by the Federal monetary authorities.

[Ribnikar] That area has been narrowing month by month during the past year, and it was not strictly necessary for us to reach a point at which we do not have any other choice but to introduce our own money now. In establishing an independent central bank it would probably also be necessary to obtain large long-term foreign loans that would be intended for foreign exchange reserves. Furthermore, we should also establish a consistent financial system, since otherwise it could happen that we would be left without reserves and the foreign debt would be increased.

[Jenko] In your opinion, how much longer will there be difficulties in the monetary area, and when could there be more stable money?

[Ribnikar] If this legislation about transforming the ownership of enterprises is adopted in its present form, we have a period of instability ahead of us. With the first replacement of the government there will probably also be changes in the privatization legislation. This legal instability will also have an effect upon financial stability, and I think that we will be struggling with weak money for a considerable period. No way out of the present system will be easy, and it will not be possible without instability in the financial area.

[Jenko] Does it still seem to you that the right experts have been brought in to try to solve Slovenia's financial and monetary problems?

[Ribnikar] Those who know something—and no one really knows enough, including me—are nowhere around.

[Jenko] Then the experts are more in the background?

[Ribnikar] Certainly. It is approximately the same as in the 1970's, when Roman Albreht and similar people were explaining economics, and economists had to be quiet. I consider an economist to be someone who deals with economics professionally, writes, thinks, researches, and publishes things in the economic field.

[Jenko] It seems that we will soon also obtain a public debt, through which, as proposed by Stane Valant from the management of the Ljubljana Bank, we would free up almost a billion dollars from citizens' foreign exchange savings deposits. The citizens would obtain securities and receive discounts in purchasing social property and apartments.

[Ribnikar] It is necessary to ensure that the people who trusted the state's guarantee and put their money in the banks are not hurt. One of the options is for them to receive securities, for instance, state bonds. A secondary market for those securities would also be organized, in which the state—the central bank—would intervene; the securities would have to be denominated in foreign currency. I also proposed that part of the property represented by that social "capital" be reserved for foreign exchange depositors. I think that there is so much of that property that no one should lose a dinar from it. That should be ensured, since otherwise the state will get a bad reputation concerning how it fulfills its promises and guarantees to citizens.



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